

Frank's International N.V.  
Form 10-Q  
November 04, 2015

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

FORM 10-Q  
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

OR

Transition Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-36053

Frank's International N.V.  
(Exact name of registrant as specified in its charter)

The Netherlands (State or other jurisdiction of incorporation or organization)	98-1107145 (IRS Employer Identification number)
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Prins Bernhardplein 200 1097 JB Amsterdam, The Netherlands (Address of principal executive offices)	Not Applicable (Zip Code)
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Registrant's telephone number, including area code: +31 (0)20 693 8597

Indicate by check mark whether the registrant (1) has 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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" 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"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
As of November 2, 2015, there were 155,130,193 shares of common stock, €0.01 par value per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

FRANK'S INTERNATIONAL N.V.  
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$507,053	\$489,354
Accounts receivables, net	324,527	390,977
Inventories	173,495	204,008
Other current assets	11,453	23,080
Total current assets	1,016,528	1,107,419
Property, plant and equipment, net	643,313	580,142
Goodwill and intangible assets, net	25,770	14,163
Other assets	50,533	56,957
Total assets	\$1,736,144	\$1,758,681
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$247	\$304
Accounts payable	16,997	16,496
Deferred revenue	58,439	76,112
Accrued and other current liabilities	100,625	114,227
Total current liabilities	176,308	207,139
Deferred tax liabilities	49,209	35,321
Other non-current liabilities	44,008	42,980
Total liabilities	269,525	285,440
Commitments and contingencies (Note 17)		
Series A preferred stock, €0.01, par value, 52,976,000 shares authorized, issued and outstanding	705	705
Stockholders' equity:		
Common stock, €0.01, par value, 745,120,000 shares authorized: 155,631,381 shares issued and 155,124,960 shares outstanding at 2015 and 154,571,229 shares issued and 154,327,383 shares outstanding at 2014	2,045	2,033
Additional paid-in capital	708,642	683,611
Retained earnings	547,456	545,357
Accumulated other comprehensive loss	(24,292)	(14,210)
Treasury stock (at cost), 506,421 at 2015 and 243,846 shares at 2014	(9,160)	(4,801)
Total stockholders' equity	1,224,691	1,211,990
Noncontrolling interest	241,223	260,546
Total equity	1,465,914	1,472,536

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Total liabilities and equity	\$1,736,144	\$1,758,681
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The accompanying notes are an integral part of these consolidated financial statements.

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FRANK'S INTERNATIONAL N.V.  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Equipment rentals and services	\$176,553	\$254,047	\$610,240	\$706,698
Products	63,330	42,136	161,384	126,914
Total revenue	239,883	296,183	771,624	833,612
Operating expenses:				
Cost of revenues, exclusive of depreciation and amortization				
Equipment rentals and services	72,389	97,919	242,681	271,939
Products	34,174	23,237	90,081	75,527
General and administrative expenses	66,929	65,220	210,523	196,431
Depreciation and amortization	29,032	23,254	80,743	66,342
Severance and other charges	1,186	—	14,208	—
Change in value of contingent consideration	(1,532)	) —	(1,532)	) —
Loss (gain) on sale of assets	(1,392)	) 280	(521)	) 193
Operating income	39,097	86,273	135,441	223,180
Other income (expense):				
Other income	918	1,483	2,976	6,772
Interest income (expense), net	173	(13)	) 150	23
Foreign currency gain (loss)	(5,329)	) (526)	) (6,563)	) (526)
Total other income (expense)	(4,238)	) 944	(3,437)	) 6,269
Income before income tax expense	34,859	87,217	132,004	229,449
Income tax expense	10,771	19,777	32,662	51,598
Net income	24,088	67,440	99,342	177,851
Net income attributable to noncontrolling interest	7,523	20,094	27,668	53,426
Net income attributable to Frank's International N.V.	16,565	47,346	71,674	124,425
Preferred stock dividends	—	—	(2)	) (1)
Net income available to Frank's International N.V. common shareholders	\$16,565	\$47,346	\$71,672	\$124,424
Earnings per common share:				
Basic	\$0.11	\$0.31	\$0.46	\$0.81
Diluted	\$0.11	\$0.31	\$0.46	\$0.80
Weighted average common shares outstanding:				
Basic	154,813	153,923	154,502	153,659
Diluted	209,349	207,934	209,052	207,751

The accompanying notes are an integral part of these consolidated financial statements.



FRANK'S INTERNATIONAL N.V.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$24,088	\$67,440	\$99,342	\$177,851
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	(3,713 )	(6,260 )	(12,287 )	(5,369 )
Unrealized gain (loss) on marketable securities, net of tax	(193 )	(1,900 )	(1,247 )	(2,057 )
Total other comprehensive income (loss)	(3,906 )	(8,160 )	(13,534 )	(7,426 )
Comprehensive income	20,182	59,280	85,808	170,425
Less: Comprehensive income attributable to noncontrolling interest	6,527	18,007	24,216	51,528
Comprehensive income attributable to Frank's International N.V.	\$13,655	\$41,273	\$61,592	\$118,897

The accompanying notes are an integral part of these consolidated financial statements.

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FRANK'S INTERNATIONAL N.V.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30, 2014							
	Common Stock		Additional	Retained	Accumulated	Treasury	Non-	Total
	Shares	Value	Paid-In Capital	Earnings	Other Comprehensive Income (Loss)	Stock	controlling Interest	Stockholders' Equity
Balances at December 31, 2013	153,524	\$2,019	\$642,164	\$455,632	\$ (2,383 )	\$—	\$235,895	\$ 1,333,327
Net income	—	—	—	124,425	—	—	53,426	177,851
Foreign currency translation adjustments	—	—	—	—	(3,996 )	—	(1,373 )	(5,369 )
Unrealized loss on marketable securities	—	—	—	—	(1,532 )	—	(525 )	(2,057 )
Stock-based compensation expense	—	—	29,450	—	—	—	—	29,450
Distributions to noncontrolling interest	—	—	—	—	—	—	(32,470 )	(32,470 )
Common stock dividends (\$0.30 per share)	—	—	—	(46,170 )	—	—	—	(46,170 )
Preferred stock dividends	—	—	—	(1 )	—	—	—	(1 )
Common shares issued upon vesting of restricted stock units	954	13	(13 )	—	—	—	—	—
Treasury shares withheld	(205 )	—	—	—	—	(4,154 )	—	(4,154 )
Balances at September 30, 2014	154,273	2,032	671,601	533,886	(7,911 )	(4,154 )	254,953	1,450,407
	Nine Months Ended September 30, 2015							
	Common Stock		Additional	Retained	Accumulated	Treasury	Non-	Total
	Shares	Value	Paid-In Capital	Earnings	Other Comprehensive Loss	Stock	controlling Interest	Stockholders' Equity
Balances at December 31, 2014	154,327	\$2,033	\$683,611	\$545,357	\$ (14,210 )	\$(4,801 )	\$260,546	\$ 1,472,536
Net income	—	—	—	71,674	—	—	27,668	99,342
Foreign currency	—	—	—	—	(9,154 )	—	(3,133 )	(12,287 )



translation adjustments									
Unrealized loss on marketable securities	—	—	—	—	(928 )	—	(319 )	(1,247 )	
Stock-based compensation expense	—	—	24,606	—	—	—	—	24,606	
Amount withheld for employee stock purchase plan ("ESPP")	—	—	147	—	—	—	—	147	
Distribution to noncontrolling interest	—	—	—	—	—	—	(43,539 )	(43,539 )	
Common stock dividends (\$0.45 per share)	—	—	—	(69,573 )	—	—	—	(69,573 )	
Preferred stock dividends	—	—	—	(2 )	—	—	—	(2 )	
Common shares issued upon vesting of restricted stock units	1,040	12	(12 )	—	—	—	—	—	
Common shares issued for ESPP	20	—	290					290	
Treasury shares withheld	(262 )	—	—	—	—	(4,359 )	—	(4,359 )	
Balances at September 30, 2015	155,125	\$2,045	\$708,642	\$547,456	\$ (24,292 )	\$ (9,160 )	\$241,223	\$ 1,465,914	

The accompanying notes are an integral part of these consolidated financial statements.

FRANK'S INTERNATIONAL N.V.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Net income	\$99,342	\$177,851
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	80,743	66,342
Stock-based compensation expense	24,606	29,450
ESPP expense	147	—
Amortization of deferred financing costs	123	235
Deferred tax provision	13,823	1,966
Provision for (recovery of) bad debts	(122	) (113
(Gain) loss on sale of assets	(521	) 193
Changes in fair value of marketable securities	1,736	(723
Change in value of contingent consideration	(1,532	) —
Other	(3,909	) —
Changes in operating assets and liabilities		
Accounts receivable	62,711	(5,779
Inventories	37,576	(37,890
Other current assets	11,801	(71
Other assets	2,479	2,215
Accounts payable	1,162	2,907
Deferred revenue	(17,672	) 14,615
Accrued and other current liabilities	(17,991	) 18,671
Other non-current liabilities	885	4,058
Net cash provided by operating activities	295,387	273,927
Cash flows from investing activities		
Acquisition of Timco Services, Inc. (net of acquired cash)	(78,676	) —
Purchases of property, plant and equipment	(88,296	) (124,187
Proceeds from sale of assets and equipment	3,100	653
Purchase of marketable securities	(94	) (1,539
Net cash used in investing activities	(163,966	) (125,073
Cash flows from financing activities		
Repayments of borrowings	(57	) (54
Dividends paid on common stock	(69,573	) (46,170
Dividends paid on preferred stock	(2	) (1
Distribution to noncontrolling interest	(43,539	) (32,470
Treasury shares withheld	(4,359	) (4,154
Proceeds from the issuance of ESPP shares	290	—
Net cash used in financing activities	(117,240	) (82,849
Effect of exchange rate changes on cash	3,518	(2,564
Net increase in cash	17,699	63,441
Cash and cash equivalents at beginning of period	489,354	404,947

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Cash and cash equivalents at end of period	\$507,053	\$468,388
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The accompanying notes are an integral part of these consolidated financial statements.

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FRANK'S INTERNATIONAL N.V.  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Basis of Presentation

Nature of Business

Frank's International N.V. ("FINV"), a limited liability company organized under the laws of The Netherlands, is a global provider of highly engineered tubular services to the oil and gas industry. FINV provides services to leading exploration and production companies in both offshore and onshore environments with a focus on complex and technically demanding wells.

Basis of Presentation

The consolidated financial statements of FINV for the three and nine months ended September 30, 2015 and 2014 include the activities of Frank's International C.V. ("FICV") and its wholly owned subsidiaries (collectively, the "Company," "we," "us" or "our"). All intercompany accounts and transactions have been eliminated for purposes of preparing these consolidated financial statements.

Certain information and footnote disclosures required by generally accepted accounting principles in the United States of America ("GAAP") for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2014, which are included in our most recent Annual Report on Form 10-K filed with the Securities Exchange Commission ("SEC") on March 6, 2015. In the opinion of management, these financial statements, which have been prepared pursuant to the rules of the SEC and GAAP for interim financial reporting, reflect all adjustments, which consisted only of normal recurring adjustments that were necessary for a fair statement of the interim periods presented. The results of operations for interim periods are not necessarily indicative of those for a full year.

The consolidated financial statements have been prepared on a historical cost basis using the United States dollar as the reporting currency. Our functional currency is primarily the United States dollar.

Out-Of-Period Adjustment

During our review of the three months ended June 30, 2014, we identified a non-cash error that originated in prior periods. The error related to the attribution of the cost of share-based compensation to the requisite service periods of retirement-eligible employees. Awards made pursuant to the 2013 Long-Term Incentive Plan generally provided that the awards vest if the employee retires. The requisite service period for awards does not extend beyond the date an employee becomes eligible to retire, which causes the requisite service period to be either two years or the period from grant date to the date the employee becomes retirement eligible. In the second quarter of 2014, we discovered that share-based compensation expense related to retirement-eligible employees was cumulatively understated through the first quarter of 2014 by approximately \$7.5 million. Because the errors were immaterial both in the periods in which they arose and in which they were corrected, the correction was recorded as an out-of-period adjustment in the second quarter of 2014 and is included in general and administrative expenses on the consolidated statements of income.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification.

We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In July 2015, the FASB issued accounting guidance on simplifying the measurement of inventory. Under this guidance, inventory will be measured at the lower of cost and net realizable value. Options that currently exist for

FRANK'S INTERNATIONAL N.V.  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

market value will be eliminated. The guidance defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. No other changes were made to the current guidance on inventory measurement. This guidance will be effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. Management is evaluating the provisions of this statement, including which period to adopt, and has not determined what impact the adoption of the new accounting guidance will have on our consolidated financial statements.

In April 2015, the FASB issued amended guidance on the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the related debt liability rather than as an asset, consistent with debt discounts and premiums. Amortization of the costs will be reported as interest expense. In August 2015, additional guidance was provided to address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The SEC staff stated that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We do not expect this guidance will have a material impact on our consolidated financial statements.

In February 2015, the FASB issued guidance on the amendments to the consolidation analysis, which affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interest in legal entities that are required to comply with or operate in accordance with requirements that are similar to those for registered money market funds. This pronouncement is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. We are evaluating the impact that the adoption of this standard will have on our consolidated financial statements.

In January 2015, the FASB issued guidance on the income statement presentation, which eliminates the concept of extraordinary items while retaining certain presentation and disclosure guidance for items that are unusual in nature or occur infrequently. The standard is effective prospectively for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted provided the guidance is applied from the beginning of the fiscal year of adoption. We do not expect to adopt this guidance early and do not believe that the adoption of this guidance will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued amendments to guidance on the recognition of revenue based upon the entity's contracts with customers to transfer goods or services. Under the new standard update, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB will also permit early adoption of the standard, but not before the original effective date of December 15, 2016. We are currently evaluating the impact of this accounting standard update on our consolidated financial statements.

Note 2—Noncontrolling Interest

We hold an economic interest in FICV and are responsible for all operational, management and administrative decisions relating to FICV's business. As a result, the financial results of FICV are consolidated with ours and we record a noncontrolling interest on our consolidated balance sheet with respect to the remaining economic interest in FICV held by Mosing Holdings, Inc. ("MHI"). Net income attributable to noncontrolling interest on the statements of income represents the portion of earnings or losses attributable to the economic interest in FICV held by MHI. The allocable domestic income from FICV to FINV is subject to U.S. taxation.

FRANK'S INTERNATIONAL N.V.  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of net income attributable to noncontrolling interest is detailed as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$24,088	\$67,440	\$99,342	\$177,851
Add: Provision for U.S. income taxes of FINV (1)	4,570	11,733	11,645	31,093
Less: (Income) loss of FINV (2)	903	(735)	(2,487)	(555)
Net income subject to noncontrolling interest	29,561	78,438	108,500	208,389
Noncontrolling interest percentage (3)	25.4%	25.6%	25.4%	25.6%
Net income attributable to noncontrolling interest	\$7,523	\$20,094	\$27,668	\$53,426

(1) Represents income tax expense attributable to our proportionate share of the U.S. operations of our partnership interests in FICV.

(2) Represents results of operations for entities outside of FICV.

(3) Represents the economic interest in FICV held by MHI. This percentage will change as additional shares of FINV common stock are issued.

### Note 3—Acquisition

On April 1, 2015, Frank's International, LLC, a Texas limited liability company ("Frank's LLC") and an indirect wholly-owned subsidiary of FICV closed on a transaction to purchase all of the outstanding equity interests of Timco Services, Inc. ("Timco"), a Louisiana corporation with a strong presence in the Permian Basin and Eagle Ford Shale regions, in exchange for consideration consisting of (i) approximately \$81.0 million inclusive of a tax reimbursement payment of \$8.0 million as well as closing adjustments for normal operating activity and customary purchase price adjustments and (ii) contingent consideration of up to \$20.0 million, payable in two separate payments of \$10.0 million based upon exceeding certain targets of the United States land rotary rig count, as reported by Baker Hughes, over prescribed time periods, which is revalued each quarter as discussed in Note 10 - Fair Value Measurements. As of September 30, 2015, the contingent consideration had a fair value of approximately \$7.0 thousand. In addition, each party agreed to indemnify the other for breaches of representations and warranties, breaches of covenants and certain other matters, subject to certain exceptions.

The Timco acquisition was accounted for as a business combination in accordance with accounting guidance. As described in Note 10 - Fair Value Measurements, the purchase price is allocated to the fair value of assets acquired and liabilities assumed based on a discounted cash flow model and goodwill is recognized for the excess consideration transferred over the fair value of the net assets. We recognized \$4.9 million of goodwill. The goodwill is assigned to the U.S. Services segment and is deductible for tax purposes. The purchase price allocation is preliminary and is expected to be finalized in the fourth quarter. Adjustments to provisional amounts (such as property, plant and equipment) will occur as we integrate Timco into our operations. We do not expect the adjustments to materially change the purchase price allocation. Additional changes to the purchase price allocation may result in a corresponding change to goodwill in the period of the change.

In connection with the Timco acquisition, we acquired intangible assets in the amount of \$7.9 million related to customer relationships, trade names and non-compete clauses. The intangible assets will be amortized over their estimated useful lives. Amortization expense for the intangible assets for the Timco acquisition was \$0.5 million and \$0.9 million for the three and nine months ended September 30, 2015.





FRANK'S INTERNATIONAL N.V.  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Accounts Receivable, net

Accounts receivable at September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015	December 31, 2014
Trade accounts receivable, net of allowance of \$2,217 and \$2,477, respectively	\$224,549	\$291,140
Unbilled revenue	50,002	62,993
Taxes receivable	43,105	32,056
Affiliated (1)	3,824	3,370
Other receivables	3,047	1,418
Total accounts receivable	\$324,527	\$390,977

(1) Amounts represent expenditures on behalf of non-consolidated affiliates and receivables for aircraft charter income.

Note 5—Inventories

Inventories at September 30, 2015 and December 31, 2014 were as follows (in thousands):

	September 30, 2015	December 31, 2014
Pipe and connectors	\$150,432	\$185,076
Finished goods	4,085	4,291
Work in progress	4,523	3,363
Raw materials, components and supplies	14,455	11,278
Total inventories	\$173,495	\$204,008

FRANK'S INTERNATIONAL N.V.  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Property, Plant and Equipment

The following is a summary of property, plant and equipment at September 30, 2015 and December 31, 2014 (in thousands):

	Estimated Useful Lives in Years	September 30, 2015	December 31, 2014
Land and land improvements (1)	8-15	\$ 19,949	\$ 21,804
Buildings and improvements	39	74,023	69,827
Rental machinery and equipment	7	890,542	763,722
Machinery and equipment - other	7	60,753	64,648
Furniture, fixtures and computers	5	18,081	17,915
Automobiles and other vehicles	5	48,913	37,417
Aircraft	7	16,267	14,868
Leasehold improvements	7-15, or lease term if shorter	7,352	6,353
Construction in progress - machinery and equipment and buildings	—	104,906	114,308
		1,240,786	1,110,862
Less: Accumulated depreciation		(597,473	) (530,720
Total property, plant and equipment, net		\$ 643,313	\$ 580,142

(1) The estimated useful life presented is only land improvements. Land does not have a depreciable life.

Note 7—Other Assets

Other assets at September 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Marketable securities held in Rabbi Trust (1)	\$ 43,484	\$ 45,126
Deferred tax asset	1,550	1,507
Deposits	1,827	4,043
Other	3,672	6,281
Total other assets	\$ 50,533	\$ 56,957

(1) See Note 10 – Fair Value Measurements

FRANK'S INTERNATIONAL N.V.  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Accrued and Other Current Liabilities

Accrued and other current liabilities at September 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Accrued compensation	\$28,572	\$35,097
Accrued property and other taxes	24,095	32,190
Accrued severance and other charges	4,220	—
Income taxes	5,094	3,362
Accrued inventory	13,558	6,235
Accrued capital expenditures	1,728	708
Accrued medical claims	4,271	3,218
Accrued purchase orders	2,740	8,081
Other	16,347	25,336
Total accrued and other current liabilities	\$100,625	\$114,227

Note 9—Debt

We have a \$100.0 million revolving credit facility with certain financial institutions, including up to \$20.0 million for letters of credit and up to \$10.0 million in swingline loans, which matures in August 2018 (the “Credit Facility”). Subject to the terms of the Credit Facility, we have the ability to increase the commitments by \$150.0 million. At September 30, 2015 and December 31, 2014, we did not have any outstanding indebtedness under the Credit Facility. In addition, we had \$5.8 million in letters of credit outstanding as of September 30, 2015.

Borrowings under the Credit Facility bear interest, at our option, at either a base rate or an adjusted Eurodollar rate. Base rate loans under the Credit Facility bear interest at a rate equal to the higher of (a) the prime rate as published in the Wall Street Journal, (b) the Federal Funds Effective Rate plus 0.50% or (c) the adjusted Eurodollar rate plus 1.00%, plus an applicable margin ranging from 0.50% to 1.50%, subject to adjustment based on a leverage ratio. Interest is in each case payable quarterly for base-rate loans. Eurodollar loans under the Credit Facility bear interest at an adjusted Eurodollar rate equal to the Eurodollar rate for such interest period multiplied by the statutory reserves, plus an applicable margin ranging from 1.50% to 2.50%. Interest is payable at the end of applicable interest periods for Eurodollar loans, except that if the interest period for a Eurodollar loan is longer than three months, interest is paid at the end of each three-month period. The unused portion of the Credit Facility is subject to a commitment fee ranging from 0.250% to 0.375% based on certain leverage ratios.

The Credit Facility contains various covenants that, among other things, limit our ability to grant certain liens, make certain loans and investments, enter into mergers or acquisitions, enter into hedging transactions, change our lines of business, prepay certain indebtedness, enter into certain affiliate transactions, incur additional indebtedness or engage in certain asset dispositions.

The Credit Facility also contains financial covenants, which, among other things, require us, on a consolidated basis, to maintain: (i) a ratio of total consolidated funded debt to adjusted EBITDA (as defined in our credit agreement) of not more than 2.50 to 1.0; and (ii) a ratio of EBITDA to interest expense of not less than 3.0 to 1.0. As of

September 30, 2015, we were in compliance with all financial covenants under the Credit Facility.

In addition, the Credit Facility contains customary events of default, including, among others, the failure to make required payments, the failure to comply with certain covenants or other agreements, breach of the representations and covenants contained in the agreements, default of certain other indebtedness, certain events of bankruptcy or insolvency and the occurrence of a change in control.

FRANK'S INTERNATIONAL N.V.  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Fair Value Measurements

We follow fair value measurement authoritative accounting guidance for measuring fair values of assets and liabilities in financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize market data or assumptions that market participants who are independent, knowledgeable, and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. We are able to classify fair value balances based on the observability of these inputs. The authoritative guidance for fair value measurements establishes three levels of the fair value hierarchy, defined as follows:

Level 1: Unadjusted, quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Significant, unobservable inputs for use when little or no market data exists, requiring a significant degree of judgment.

The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under the accounting guidance, the lowest level that contains significant inputs used in valuation should be chosen.

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Financial Assets and Liabilities

A summary of financial assets and liabilities that are measured at fair value on a recurring basis, as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2015				
Assets:				
Investments available-for-sale:				
Marketable securities - deferred compensation plan	\$—	\$43,484	\$—	\$43,484
Marketable securities - other	2,282	—	—	2,282
Liabilities:				
Marketable securities - deferred compensation plan	—	43,077	—	43,077
Contingent consideration	—	—	7	7
December 31, 2014				
Assets:				
Investments available-for-sale:				
Marketable securities - deferred compensation plan	\$—	\$45,126	\$—	\$45,126
Marketable securities - other	2,257	—	—	2,257
Liabilities:				
Marketable securities - deferred compensation plan	—	42,968	—	42,968

Our investments associated with our deferred compensation plan consist of marketable securities that are held in the form of investments in mutual funds and insurance contracts. Assets and liabilities measured using significant observable inputs are reported at fair value based on third-party broker statements, which are derived from the fair value of the funds' underlying investments. Other marketable securities are included in other assets on the consolidated balance sheets. Our valuation technique used to estimate the fair value of contingent consideration payable in connection with our acquisition of Timco (as described in Note 3) is the Monte Carlo simulation lattice option-pricing model which uses weekly rig count forecasts through June 30, 2017 as a basis for the simulation. The contingent consideration is included in other non-current liabilities on the balance sheet. We used the following assumptions in the Monte Carlo simulation lattice option-pricing model:

	September 30, 2015	
Assumptions:		
Rig count volatility	1.85	%
Cost of debt	5.31	%
Date of first contingent consideration payment	December 31, 2016	
Date of second contingent consideration payment	June 30, 2017	





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The following table sets forth a reconciliation of the changes in the fair value of the contingent consideration payable, which changed as a result of the significant reduction in the rig count forecast. The contingent consideration is classified as Level 3 in the fair value hierarchy (in thousands):

	Significant Unobservable
Beginning balance, December 31, 2014	\$—
Issuance of contingent consideration	1,539
Change in value of contingent consideration	(1,532)
Ending balance, September 30, 2015	\$7

#### Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

We apply the provisions of the fair value measurement standard to our non-recurring, non-financial measurements including business combinations as well as impairment related to goodwill and other long-lived assets. For business combinations, the purchase price is allocated to the assets acquired and liabilities assumed based on a discounted cash flow model for most intangibles as well as market assumptions for the valuation of equipment and other fixed assets. We utilize a discounted cash flow model in evaluating impairment considerations related to goodwill and long-lived assets. Given the unobservable nature of the inputs, the discounted cash flow models are deemed to use Level 3 inputs.

#### Other Fair Value Considerations

The carrying values on our consolidated balance sheet of our cash and cash equivalents, trade accounts receivable, other current assets, accounts payable, accrued and other current liabilities and lines of credit approximates fair values due to their short maturities.

#### Note 11—Preferred Stock

At September 30, 2015, we had 52,976,000 shares of Series A preferred stock, par value €0.01 per share (the "Preferred Stock"), issued and outstanding, all of which were held by MHI. Each share of Preferred Stock has a liquidation preference equal to its par value of €0.01 per share and is entitled to an annual dividend equal to 0.25% of its par value. We paid the annual dividend for the year ended December 31, 2014 of \$1,506 on June 30, 2015. Additionally, each share of Preferred Stock entitles its holder to one vote. Preferred stockholders vote with the common stockholders as a single class on all matters presented to FINV's shareholders for their vote.

MHI has the right to convert all or a portion of its Preferred Stock into shares of our common stock by delivery of an equivalent portion of its interest in FICV to us. Accordingly, the increase in our interest in FICV in connection with a conversion will decrease the noncontrolling interest in our financial statements that is attributable to MHI's interest in FICV. As of September 30, 2015, there have been no conversions of the Preferred Stock or exchanges of the FICV limited partner interests. Exchanges are subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications.

The Preferred Stock is classified outside of permanent equity in our consolidated balance sheet at its redemption value of par plus accrued and unpaid dividends because the conversion provisions are not solely within our control.

Note 12—Treasury Stock

At September 30, 2015, common shares held in treasury totaled 506,421 with a cost of \$9.2 million. These shares were withheld from employees to settle personal tax withholding obligations that arose as a result of restricted stock units that vested.

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Note 13—Related Party Transactions

We have engaged in certain transactions with other companies related to us by common ownership. We have entered into various operating leases to lease office space from an affiliated partnership. Rent expense related to these leases was \$2.5 million and \$2.1 million for each of the three months ended September 30, 2015 and 2014, respectively, and \$6.5 million and \$5.6 million for the nine months ended September 30, 2015 and 2014, respectively.

We are a party to certain agreements relating to the rental of aircraft to Western Airways ("WA"), an entity owned by the Mosing family. Subsequent to our initial public offering ("IPO") in 2013, we entered into new agreements with WA for the aircraft that was retained by us whereby we are paid a flat monthly fee for dry lease rental and during 2014 were also charged block hours monthly. In 2015, we amended the agreements to reflect both dry lease and wet lease rental, whereby we are charged a flat monthly fee and earn charter income from third party usage. We recorded net charter revenue of \$0.1 million and net charter expense of \$0.4 million for the three months ended September 30, 2015 and 2014, respectively, and net charter expense of \$0.7 million and \$1.1 million for the nine months ended September 30, 2015 and 2014, respectively.

Tax Receivable Agreement

MHI and its permitted transferees may convert all or a portion of its Preferred Stock into shares of our common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications and other similar transactions, by delivery of an equivalent portion of its interest in FICV to us (a "Conversion"). FICV has made an election under Section 754 of the Code. Pursuant to the Section 754 election, each future Conversion is expected to result in an adjustment to the tax basis of the tangible and intangible assets of FICV, and these adjustments will be allocated to FINV. Certain of the adjustments to the tax basis of the tangible and intangible assets of FICV described above would not have been available absent these future Conversions. The anticipated basis adjustments are expected to reduce the amount of tax that FINV would otherwise be required to pay in the future. These basis adjustments may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

The tax receivable agreement (the "TRA") that we entered into with FICV and MHI in connection with our IPO generally provides for the payment by FINV of 85% of the amount of the actual reductions, if any, in payments of U.S. federal, state and local income tax or franchise tax (which reductions we refer to as "cash savings") in periods after our IPO as a result of (i) the tax basis increases resulting from the Conversions and (ii) imputed interest deemed to be paid by us as a result of, and additional tax basis arising from, payments under the TRA. In addition, the TRA provides for payment by us of interest earned from the due date (without extensions) of the corresponding tax return to the date of payment specified by the TRA. We will retain the remaining 15% of cash savings, if any.

The payment obligations under the TRA are our obligations and are not obligations of FICV. The term of the TRA will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the TRA.

Estimating the amount of payments that may be made under the TRA is by its nature imprecise. The actual increase in tax basis, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including the timing of Conversions, the relative value of our U.S. and international assets at the time of the Conversion, the price of our common stock at the time of the Conversion, the extent to which such Conversions are

taxable, the amount and timing of the taxable income FINV realizes in the future and the tax rate then applicable, FINV's use of loss carryovers and the portion of its payments under the TRA constituting imputed interest or depreciable or amortizable basis. FINV expects that the payments that it will be required to make under the TRA will be substantial but that it will be able to fund such payments. There may be a negative impact on our liquidity if, as a result of timing discrepancies, the payments under the TRA exceed the actual benefits we realize in respect of the tax attributes subject to the TRA. The payments under the TRA will not be conditioned upon a holder of rights under a TRA having a continued ownership interest in either FICV or FINV.

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The TRA provides that FINV may terminate it early. If FINV elects to terminate the TRA early, it would be required to make an immediate payment equal to the present value of the anticipated future tax benefits subject to the TRA (based upon certain assumptions and deemed events set forth in the TRA, including the assumption that it has sufficient taxable income to fully utilize such benefits and that any FICV interests that MHI or its transferees own on the termination date are deemed to be exchanged on the termination date). Any early termination payment may be made significantly in advance of the actual realization, if any, of such future benefits. In addition, payments due under the TRA will be similarly accelerated following certain mergers or other changes of control. In these situations, FINV's obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. For example, if the TRA were terminated on September 30, 2015, the estimated termination payment would be approximately \$48.3 million (calculated using a discount rate of 5.51%). The foregoing number is merely an estimate and the actual payment could differ materially.

Because FINV is a holding company with no operations of its own, its ability to make payments under the TRA is dependent on the ability of FICV to make distributions to it in an amount sufficient to cover FINV's obligations under such agreements; this ability, in turn, may depend on the ability of FICV's subsidiaries to provide payments to it. The ability of FICV and its subsidiaries to make such distributions will be subject to, among other things, the applicable provisions of Dutch law that may limit the amount of funds available for distribution and restrictions in our debt instruments. To the extent that FINV is unable to make payments under the TRA for any reason, except in the case of an acceleration of payments thereunder occurring in connection with an early termination of the TRA or certain mergers of change of control, such payments will be deferred and will accrue interest until paid, and FINV will be prohibited from paying dividends on its common stock.

Note 14—Earnings Per Common Share

Basic earnings per common share is determined by dividing net income, less preferred stock dividends, by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding, assuming all potentially dilutive shares were issued.

We apply the treasury stock method to determine the dilutive weighted average common shares represented by the unvested restricted stock units and employee stock purchase plan shares. The diluted earnings per share calculation assumes the conversion of 100% of our outstanding Preferred Stock on an as if converted basis. Accordingly, the numerator is also adjusted to include the earnings allocated to the noncontrolling interest after taking into account the tax effect of such exchange.

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The following table summarizes the basic and diluted earnings per share calculations (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Numerator - Basic</b>				
Income from continuing operations	\$24,088	\$67,440	\$99,342	\$177,851
Less: Net income attributable to noncontrolling interest	(7,523	) (20,094	) (27,668	) (53,426
Less: Preferred stock dividends	—	—	(2	) (1
Net income available to common shareholders	\$16,565	\$47,346	\$71,672	\$124,424
<b>Numerator - Diluted</b>				
Income from continuing operations attributable to common shareholders	\$16,565	\$47,346	\$71,672	\$124,424
Add: Net income attributable to noncontrolling interest (1)	5,911	16,335	23,513	42,671
Add: Preferred stock dividends	—	—	2	1
Dilutive net income available to common shareholders	\$22,476	\$63,681	\$95,187	\$167,096
<b>Denominator</b>				
Basic weighted average common shares	154,813	153,923	154,502	153,659
Exchange of noncontrolling interest for common stock (Note 11)	52,976	52,976	52,976	52,976
Restricted stock units	1,559	1,035	1,573	1,116
Stock to be issued pursuant to employee stock purchase plan	1	—	1	—
Diluted weighted average common shares	209,349	207,934	209,052	207,751
<b>Earnings per common share:</b>				
Basic	\$0.11	\$0.31	\$0.46	\$0.81
Diluted	\$0.11	\$0.31	\$0.46	\$0.80
(1) Adjusted for the additional tax expense upon the assumed conversion of the Preferred Stock	\$1,612	\$3,759	\$4,155	\$10,755

Note 15—Income Taxes

For interim financial reporting, we estimate the annual tax rate based on projected pre-tax income for the full year and record a quarterly income tax provision (benefit) in accordance with Accounting Standards Codification Topic 740-270, Income taxes—Interim Reporting. As the year progresses, we refine the estimate of the year's pre-tax income as new information becomes available. The continual estimation process often results in a change to the expected effective tax rate for the year. When this occurs, we adjust the income tax provision (benefit) during the quarter in which the change in estimate occurs so that the year to date provision reflects the expected annual tax rate.

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Our effective tax rate on income from continuing operations before income taxes was 30.9% and 22.7% for the three months ended September 30, 2015 and 2014, respectively, and 24.7% and 22.5% for the nine months ended September 30, 2015 and 2014, respectively. In addition, the tax rate for all periods is lower than the U.S. statutory income tax rate of 35% due to lower statutory tax rates in certain foreign jurisdictions where we operate.

As of September 30, 2015, there were no significant changes to our unrecognized tax benefits as reported in our audited financial statements for the year ended December 31, 2014.

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Note 16—Severance and Other Charges

During 2015, we executed a workforce reduction plan as part of our cost savings initiatives due to depressed oil prices. The reduction was communicated to affected employees on various dates. The plan resulted in a reduction of approximately 600 to 800 employees in which we recorded an accrual of approximately \$14.2 million for the nine months ended September 30, 2015, which included cash severance payments, accelerated vesting of RSU grants for certain individuals and other employee-related termination costs as well as base rationalization and lease termination fees. These costs are also reflected in our consolidated statements of income under severance and other charges. Below is a reconciliation of the beginning and ending liability balance (in thousands):

	International Services	U.S. Services	Tubular Sales	Total	
Beginning balance, December 31, 2014	\$—	\$—	\$—	\$—	
Additions for costs expensed	493	12,569	1,146	14,208	
Other adjustments	—	(40	) —	(40	)
Severance and other payments	(493	) (6,274	) (898	) (7,665	)
Reclass to equity for accelerated RSU grants	—	(2,283	) —	(2,283	)
Ending balance, September 30, 2015	\$—	\$3,972	\$248	\$4,220	

We expect to pay the remaining liability in the fourth quarter of 2015.

Note 17—Commitments and Contingencies

We are the subject of lawsuits and claims arising in the ordinary course of business from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. We had no material accruals for loss contingencies, individually or in the aggregate, as of September 30, 2015. We believe the probability is remote that the ultimate outcome of these matters would have a material adverse effect on our financial position, results of operations or cash flows.

Note 18—Segment Information

Reporting Segments

Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker (“CODM”) in deciding how to allocate resources and assess performance. We are comprised of three reportable segments: International Services, U.S. Services and Tubular Sales.

The International Services segment provides tubular services in international offshore markets and in several onshore international regions. Our customers in these international markets are primarily large exploration and production companies, including integrated oil and gas companies and national oil and gas companies.

The U.S. Services segment provides tubular services in almost all of the active onshore oil and gas drilling regions in the U.S., including the Permian Basin, Bakken Shale, Barnett Shale, Eagle Ford Shale, Haynesville Shale, Marcellus Shale and Utica Shale, as well as in the U.S. Gulf of Mexico.



The Tubular Sales segment designs, manufactures and distributes large outside diameter ("OD") pipe, connectors and casing attachments. We also provide specialized fabrication and welding services in support of offshore projects, including drilling and production risers, flowlines and pipeline end terminations, as well as long length tubulars (up to

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300 feet in length) for use as caissons or pilings. This segment also designs and manufactures proprietary equipment for use in our International and U.S. Services segments.

#### Adjusted EBITDA

We define Adjusted EBITDA as income from continuing operations before net interest income or expense, depreciation and amortization, income tax benefit or expense, asset impairments, gain or loss on sale of assets, foreign currency gain or loss, stock-based compensation, other non-cash adjustments and unusual charges. We review Adjusted EBITDA on both a consolidated basis and on a segment basis. We use Adjusted EBITDA to assess our financial performance because it allows us to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team (such as income tax rates). Adjusted EBITDA has limitations as an analytical tool and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with generally accepted accounting principles in the U.S. ("GAAP").

Our CODM uses Adjusted EBITDA as the primary measure of segment reporting performance.

The following table presents a reconciliation of Segment Adjusted EBITDA to income from continuing operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment Adjusted EBITDA:				
International Services	\$39,157	\$65,359	\$146,752	\$165,260
U.S. Services	18,190	45,796	79,767	132,643
Tubular Sales	15,985	9,343	27,082	28,028
Corporate and other	12	6	37	6
Adjusted EBITDA Total	73,344	120,504	253,638	325,937
Interest income (expense), net	173	(13	) 150	23
Income tax expense	(10,771	) (19,777	) (32,662	) (51,598
Depreciation and amortization	(29,032	) (23,254	) (80,743	) (66,342
(Loss) gain on sale of assets	1,392	(280	) 521	(193
Foreign currency gain (loss)	(5,329	) (526	) (6,563	) (526
Stock-based compensation expense	(6,035	) (9,214	) (22,323	) (29,450
Severance and other charges	(1,186	) —	(14,208	) —
Change in value of contingent consideration	1,532	—	1,532	—
Income from continuing operations	\$24,088	\$67,440	\$99,342	\$177,851

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The following tables set forth certain financial information with respect to our reportable segments. Included in "Corporate and Other" are intersegment eliminations and costs associated with activities of a general nature (in thousands):

	International Services	U.S. Services	Tubular Sales	Corporate and Other	Total
Three Months Ended September 30, 2015					
Revenue from external customers	\$ 103,076	\$ 74,417	\$ 62,390	\$—	\$ 239,883
Inter-segment revenues	102	5,654	7,188	(12,944)	) —
Adjusted EBITDA	39,157	18,190	15,985	12	73,344
Three Months Ended September 30, 2014					
Revenue from external customers	\$ 143,330	\$ 112,149	\$ 40,704	\$—	\$ 296,183
Inter-segment revenues	501	6,209	15,097	(21,807)	) —
Adjusted EBITDA	65,359	45,796	9,343	6	120,504
Nine Months Ended September 30, 2015					
Revenue from external customers	\$ 349,918	\$ 262,120	\$ 159,586	\$—	\$ 771,624
Inter-segment revenues	709	20,211	29,622	(50,542)	) —
Adjusted EBITDA	146,752	79,767	27,082	37	253,638
Nine Months Ended September 30, 2014					
Revenue from external customers	\$ 391,371	\$ 321,468	\$ 120,773	\$—	\$ 833,612
Inter-segment revenues	873	16,933	50,767	(68,573)	) —
Adjusted EBITDA	165,260	132,643	28,028	6	325,937

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") includes certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include those that express a belief, expectation or intention, as well as those that are not statements of historical fact. Forward-looking statements include information regarding our future plans and goals and our current expectations with respect to, among other things:

- our business strategy and prospects for growth;
- our cash flows and liquidity;
- our financial strategy, budget, projections and operating results;
- the amount, nature and timing of capital expenditures;
- the availability and terms of capital;
- competition and government regulations; and
- general economic conditions.

Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "plan," "goal" or other terms that convey the uncertainty of future events or outcomes, although not all forward-looking statements contain such identifying words. The forward-looking statements in this Form 10-Q speak only as of the date of this report; we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. Forward-looking statements are not assurances of future performance and involve risks and uncertainties. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties include, but are not limited to, the following:

- the level of activity in the oil and gas industry;
- the volatility of oil and gas prices, which have declined significantly in recent periods;
- unique risks associated with our offshore operations;
- political, economic and regulatory uncertainties in our international operations;
- our ability to develop new technologies and products;
- our ability to protect our intellectual property rights;
- our ability to employ and retain skilled and qualified workers;
- the level of competition in our industry;
- operational safety laws and regulations; and
- weather conditions and natural disasters.

These and other important factors that could affect our operating results and performance are described in (1) "Risk Factors" in Part II, Item IA of this Form 10-Q, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2 of this Form 10-Q, and elsewhere within this Form 10-Q, (2) our Annual Report on Form 10-K for the year ended December 31, 2014 (our "Annual Report"), (3) our other reports and filings we make with the SEC from time to time and (4) other announcements we make from time to time. Should one or more of the risks or uncertainties described in the documents above or in this Form 10-Q occur, or should underlying assumptions prove incorrect, our actual results, performance, achievements or plans could differ materially from those expressed or implied in any forward-looking statements.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q and the audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in any forward-looking statement because of various factors, including those described in the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" of this Form 10-Q.

### Overview of Business

We are a global provider of highly engineered tubular services to the oil and gas industry and have been in business for over 75 years. We provide our services to leading exploration and production companies in both offshore and onshore environments, with a focus on complex and technically demanding wells.

We conduct our business through three operating segments:

**International Services.** We currently provide our services in approximately 60 countries on six continents. Our customers in these international markets are primarily large exploration and production companies, including integrated oil and gas companies and national oil and gas companies.

- **U.S. Services.** We service customers in the offshore areas of the U.S. Gulf of Mexico. In addition, we have a presence in almost all of the active onshore oil and gas drilling regions in the U.S., including the Permian Basin, Bakken Shale, Barnett Shale, Eagle Ford Shale, Haynesville Shale, Marcellus Shale and Utica Shale.

**Tubular Sales.** We design, manufacture and distribute large outside diameter ("OD") pipe, connectors and casing attachments. We also provide specialized fabrication and welding services in support of offshore projects, including drilling and production risers, flowlines and pipeline end terminations, as well as long-length tubulars (up to 300 feet in length) for use as caissons or pilings. This segment also designs and manufactures proprietary equipment for use in our International and U.S Services segments.

### Market Outlook

We continue to face a challenging environment in the oilfield services industry due to the dramatic drop in oil prices and expect this to continue for the foreseeable future. The impact of reduced commodity prices has resulted in global pricing pressure and a decrease in activity levels for our services. We believe that the cost savings initiatives we completed this year will result in ongoing savings that will help mitigate the negative impact of the current market conditions and we continue to believe in the strength of the long-term objectives of our business. We expect these industry-driven unfavorable market conditions to persist across the majority of our business segments and intend to remain focused on looking beyond the down cycle by continuing to invest in capital and strategic programs. We will make further modifications to our business as required to adapt to market conditions.

### How We Evaluate Our Operations

We use a number of financial and operational measures to routinely analyze and evaluate the performance of our business, including revenue, Adjusted EBITDA, Adjusted EBITDA margin and safety performance.

Revenue

We analyze our revenue growth by comparing actual monthly revenue to our internal projections for each month to assess our performance. We also assess incremental changes in our monthly revenue across our operating segments to identify potential areas for improvement.

## Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as income from continuing operations before net interest income or expense, depreciation and amortization, income tax benefit or expense, asset impairments, gain or loss on sale of assets, foreign currency gain or loss, stock-based compensation, other non-cash adjustments and unusual charges or credits. Adjusted EBITDA margin reflects our Adjusted EBITDA as a percentage of our revenues. We review Adjusted EBITDA and Adjusted EBITDA margin on both a consolidated basis and on a segment basis. We use Adjusted EBITDA and Adjusted EBITDA margin to assess our financial performance because it allows us to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team (such as income tax rates). Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with generally accepted accounting principles in the U.S. ("GAAP").

The following table presents a reconciliation of income from continuing operations to Adjusted EBITDA, our most directly comparable GAAP performance measure, as well as Adjusted EBITDA margin for each of the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Income from continuing operations	\$24,088	\$67,440	\$99,342	\$177,851	
Interest (income) expense, net	(173)	) 13	(150)	) (23	)
Depreciation and amortization	29,032	23,254	80,743	66,342	
Income tax expense	10,771	19,777	32,662	51,598	
Loss (gain) on sale of assets	(1,392)	) 280	(521)	) 193	
Foreign currency (gain) loss	5,329	526	6,563	526	
Stock-based compensation expense	6,035	9,214	22,323	29,450	
Severance and other charges (See Note 16)	1,186	—	14,208	—	
Change in value of contingent consideration (See Note 10)	(1,532)	) —	(1,532)	) —	
Adjusted EBITDA	\$73,344	\$120,504	\$253,638	\$325,937	
Adjusted EBITDA margin	30.6	% 40.7	% 32.9	% 39.1	%

For a reconciliation of our Adjusted EBITDA on a segment basis to the most comparable measure calculated in accordance with GAAP, see “—Operating Segment Results.”

## Safety Performance

Maintaining a strong safety record is a critical component of our operational success. Many of our larger customers have safety standards we must satisfy before we can perform services for them. We continually monitor our safety culture through the use of employee safety surveys and trend analysis, and we modify existing programs or develop new programs according to the data obtained. One way to measure safety is by tracking the total recordable incident rate (“TRIR”) and the lost time incident rate (“LTIR”), which are reviewed on both a monthly and rolling twelve-month basis.





## Consolidated Results of Operations

The following table presents our consolidated results for the periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<b>Revenues:</b>				
Equipment rentals and services	\$ 176,553	\$ 254,047	\$ 610,240	\$ 706,698
Products (1)	63,330	42,136	161,384	126,914
Total revenue	239,883	296,183	771,624	833,612
<b>Operating expenses:</b>				
Cost of revenues, exclusive of depreciation and amortization				
Equipment rentals and services	72,389	97,919	242,681	271,939
Products	34,174	23,237	90,081	75,527
General and administrative expenses	66,929	65,220	210,523	196,431
Depreciation and amortization	29,032	23,254	80,743	66,342
Severance and other charges	1,186	—	14,208	—
Change in value of contingent consideration	(1,532)	) —	(1,532)	) —
Loss (gain) on sale of assets	(1,392)	) 280	(521)	) 193
Operating income	39,097	86,273	135,441	223,180
<b>Other income (expense):</b>				
Other income	918	1,483	2,976	6,772
Interest income (expense), net	173	(13)	) 150	23
Foreign currency gain (loss)	(5,329)	) (526)	) (6,563)	) (526)
Total other income (expense)	(4,238)	) 944	(3,437)	) 6,269
Income before income tax expense	34,859	87,217	132,004	229,449
Income tax expense	10,771	19,777	32,662	51,598
Net income	24,088	67,440	99,342	177,851
Less: Net income attributable to noncontrolling interest	7,523	20,094	27,668	53,426
Net income attributable to Frank's International N.V.	\$ 16,565	\$ 47,346	\$ 71,674	\$ 124,425

(1) Consolidated products revenue includes a small amount of revenues attributable to the U.S. Services and International Services segments.

## Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

**Revenues.** Revenues from external customers, excluding intersegment sales, for the three months ended September 30, 2015 decreased by \$56.3 million, or 19.0%, to \$239.9 million from \$296.2 million for the three months ended September 30, 2014. The decrease was primarily attributable to lower revenues in our International and U.S. Services segments, with revenues decreasing \$40.3 million and \$37.7 million, respectively, due to lower activity as depressed oil prices resulted in declining rig count and downward pricing pressures. The decreased revenues were partially offset by increased revenues in our Tubular Sales segment of \$21.7 million as a result of strong customer

orders from our on-going focused sales efforts and our ability to respond quickly to unscheduled customer requests for products. Revenues for our segments are discussed separately below under the heading "Operating Segment Results."

Cost of revenues, exclusive of depreciation and amortization. Cost of revenues for the three months ended September 30, 2015 decreased by \$14.6 million, or 12.0%, to \$106.6 million from \$121.2 million for the three months ended September 30, 2014, primarily due to lower activity, which caused a decrease in compensation and other related costs of \$11.4 million and field supplies of \$2.9 million.

General and administrative expenses. General and administrative expenses ("G&A") for the three months ended September 30, 2015 increased by \$1.7 million, or 2.6%, to \$66.9 million from \$65.2 million for the three months ended September 30, 2014, primarily as a result of higher professional fees related to acquisition costs.

Depreciation and amortization. Depreciation and amortization for the three months ended September 30, 2015 increased by \$5.8 million, or 24.8%, to \$29.0 million from \$23.3 million for the three months ended September 30, 2014. The increase was primarily attributable to our Timco acquisition of \$2.8 million in addition to a higher depreciable base resulting from property and equipment additions.

Foreign currency gain (loss). Foreign currency loss was \$5.3 million for the three months ended September 30, 2015 compared to \$0.5 million for the three months ended September 30, 2014 due to various balances held in nonlocal currencies specifically in Norway, Brazil and the Eurozone.

Income tax expense. Income tax expense for the three months ended September 30, 2015 decreased by \$9.0 million, or 45.5%, to \$10.8 million from \$19.8 million for the three months ended September 30, 2014 as a result of a decrease in taxable income. We are subject to many U.S. and foreign tax jurisdictions and many tax agreements and treaties among the various taxing authorities. Our operations in these jurisdictions are taxed on various bases such as income before taxes, deemed profits (which is generally determined using a percentage of revenues rather than profits) and withholding taxes based on revenues; consequently, the relationship between our pre-tax income from operations and our income tax provision varies from period to period.

#### Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Revenues. Revenues from external customers for the nine months ended September 30, 2015 decreased by \$62.0 million, or 7.4%, to \$771.6 million from \$833.6 million for the nine months ended September 30, 2014. Revenues for our U.S. Services and International segments decreased approximately \$59.3 million and \$41.5 million, respectively, primarily as a result of declining rig count as well as downward pricing pressures, which were driven by depressed oil prices. The decreased revenues were partially offset by increased revenues for our Tubular Services segment by approximately \$38.8 million as a result of project related orders and being able to meet urgent unscheduled customer requests for products.

Cost of revenues, exclusive of depreciation and amortization. Cost of revenues for the nine months ended September 30, 2015 decreased by \$14.7 million, or 4.2%, to \$332.8 million compared to \$347.5 million for the nine months ended September 30, 2014. The decrease was primarily attributable to lower activity, which caused a decrease in compensation-related costs of \$16.3 million and field supplies of \$5.2 million, which were partially offset by higher tool inspection costs of \$6.4 million.

General and administrative expenses. G&A expenses for the nine months ended September 30, 2015 increased by \$14.1 million, or 7.2%, to \$210.5 million from \$196.4 million for the nine months ended September 30, 2014, primarily as a result of higher compensation-related costs of \$18.8 million and professional fees of \$8.1 million due to acquisition costs. The increases were partially offset by decreased stock-based compensation expense of \$7.1 million as the six months ended June 30, 2014 included an out-of-period adjustment of \$7.5 million, which corrected the amortization of expense related to retirement-eligible employees (see Note 1 in the Notes to Unaudited Consolidated Financial Statements for additional detail).

Depreciation and amortization. Depreciation and amortization for the nine months ended September 30, 2015 increased by \$14.4 million, or 21.7%, to \$80.7 million from \$66.3 million for the nine months ended September 30,

2014. The increase was primarily attributable to our Timco acquisition of \$5.5 million as well as a higher depreciable base resulting from property and equipment additions.

Severance and other charges. Severance and other charges for the nine months ended September 30, 2015 were \$14.2 million as a result of a workforce reduction, base rationalization and lease termination fees as discussed in Note 16 in the Notes to Unaudited Consolidated Financial Statements, which affected the following segments: International Services (\$0.5 million), U.S. Services (\$12.6 million) and Tubular Sales (\$1.1 million).

Other income. Other income for the nine months ended September 30, 2015 decreased by \$3.8 million, or 56.1%, to \$3.0 million from \$6.8 million for the nine months ended September 30, 2014 due to changes in workers' compensation and lower scrap sales in 2015 in comparison to 2014.

Foreign currency gain (loss). Foreign currency loss for the nine months ended September 30, 2015 increased by \$6.0 million from the nine months ended September 30, 2014 due to various balances held in nonlocal currencies specifically in Norway, Brazil, Venezuela and the Eurozone.

Income tax expense. Income tax expense for the nine months ended September 30, 2015 decreased by \$18.9 million, or 36.7%, to \$32.7 million from \$51.6 million for the nine months ended September 30, 2014 as a result of a decrease in taxable income. We are subject to many U.S. and foreign tax jurisdictions and many tax agreements and treaties among the various taxing authorities. Our operations in these jurisdictions are taxed on various bases such as income before taxes, deemed profits (which is generally determined using a percentage of revenues rather than profits), and withholding taxes based on revenues; consequently, the relationship between our pre-tax income from operations and our income tax provision varies from period to period.

## Operating Segment Results

Revenue pertaining to our segments as stated in the following discussions include intersegment sales. Adjusted EBITDA includes the impact of intersegment operating activity. See Note 18 - Segment Information in the Notes to Unaudited Consolidated Financial Statements.

The following table presents revenues and Adjusted EBITDA by segment, and a reconciliation of Adjusted EBITDA to net income from continuing operations, which is the most comparable GAAP financial measure (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue:				
International Services	\$103,178	\$143,831	\$350,627	\$392,244
U.S. Services	80,071	118,358	282,331	338,401
Tubular Sales	69,578	55,801	189,208	171,540
Intersegment sales	(12,944)	) (21,807)	) (50,542)	) (68,573)
Total	\$239,883	\$296,183	\$771,624	\$833,612
Segment Adjusted EBITDA:				
International Services	\$39,157	\$65,359	\$146,752	\$165,260
U.S. Services	18,190	45,796	79,767	132,643
Tubular Sales	15,985	9,343	27,082	28,028
Corporate and other (1)	12	6	37	6
Adjusted EBITDA Total (2)	73,344	120,504	253,638	325,937
Interest income (expense), net	173	(13)	) 150	23
Income tax expense	(10,771)	) (19,777)	) (32,662)	) (51,598)
Depreciation and amortization	(29,032)	) (23,254)	) (80,743)	) (66,342)
(Loss) gain on sale of assets	1,392	(280)	) 521	(193)
Foreign currency gain (loss)	(5,329)	) (526)	) (6,563)	) (526)
Stock-based compensation expense	(6,035)	) (9,214)	) (22,323)	) (29,450)
Severance and other charges	(1,186)	) —	(14,208)	) —
Change in value of contingent consideration	1,532	—	1,532	—
Income from continuing operations	\$24,088	\$67,440	\$99,342	\$177,851

(1) Corporate and other represents amounts not directly associated with an operating segment.

(2) Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies.

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

## International Services

Revenue for the International Services segment decreased by \$40.7 million for the three months ended September 30, 2015, or 28.3%, compared to the same period in 2014, primarily due to depressed oil prices, which led to early terminations of drilling campaigns, cancellations or deferred work scopes as a result of poor results of pre-salt exploratory wells and challenged economics of current development projects in Africa.





Adjusted EBITDA for the International Services segment decreased by \$26.2 million for the three months ended September 30, 2015, or 40.1%, compared to the same period in 2014 primarily due to the \$40.7 million decrease in revenue, which was partially offset by lower expenses due to reduced activity.

#### U.S. Services

Revenue for the U.S. Services segment decreased by \$38.3 million for the three months ended September 30, 2015, or 32.3%, compared to the same period in 2014. Our offshore and onshore revenues decreased by \$13.2 million and \$25.1 million, respectively, as a result of lower activity due to declining rig count and downward pricing pressure as a result of depressed oil prices. Offshore revenues were also affected by rig delays caused by unusually strong ocean loop currents in the Gulf of Mexico, which were partially offset by increased activity as some operators moved past operational delays.

Adjusted EBITDA for the U.S. Services segment decreased by \$27.6 million for the three months ended September 30, 2015, or 60.3%, compared to the same period in 2014 primarily due to higher pricing concessions and lower activity of \$22.3 million and higher corporate and other costs of \$5.2 million primarily due to increased professional fees for acquisition costs.

#### Tubular Sales

Revenue for the Tubular Sales segment increased by \$13.8 million for the three months ended September 30, 2015, or 24.7%, compared to the same period in 2014 primarily as a result of strong customer orders from our on-going focused sales efforts and our ability to respond quickly to unscheduled customer requests for products.

Adjusted EBITDA for the Tubular Sales segment increased by \$6.6 million for the three months ended September 30, 2015, or 71.1%, compared to the same period in 2014 primarily due to higher Tubular sales and increased productivity in our manufacturing operations of \$1.0 million.

#### Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

##### International Services

Revenue for the International Services segment decreased by \$41.6 million for the nine months ended September 30, 2015, or 10.6%, compared to the same period in 2014, due to the end of drilling campaigns, cancellations or deferred work scopes as a result of depressed oil prices, which challenged the economics of current development projects in our Africa and Asia Pacific regions. The Africa region was also affected by poor results of pre-salt exploratory wells. The decrease was partially offset by an increase in Latin America revenues due to higher activity that started in the middle of 2014 and continued through the first half of 2015 in addition to an increase in contract work among various customers.

Adjusted EBITDA for the International Services segment decreased by \$18.5 million for the nine months ended September 30, 2015, or 11.2%, compared to the same period in 2014 primarily due to lower revenues of \$41.6 million, which were partially offset by lower expenses due to reduced activity.

##### U.S. Services

Revenue for the U.S. Services segment decreased by \$56.1 million for the nine months ended September 30, 2015, or 16.6%, compared to the same period in 2014 primarily due to depressed oil prices. Onshore services revenue decreased by \$43.3 million as a result of lower demand from declining rig count, activity levels and discounts. The offshore business saw a smaller decrease in revenue of \$12.8 million as a result of operational rig delays due to

down-hole issues coupled with downward pricing pressure and rig delays caused by unusually strong ocean loop currents in the Gulf of Mexico.

Adjusted EBITDA for the U.S. Services segment decreased by \$52.9 million for the nine months ended September 30, 2015, or 39.9%, compared to the same period in 2014 as a result of lower revenues from activity and pricing

concessions in the onshore and offshore business of \$36.4 million and \$2.6 million, respectively, and higher corporate and other costs of \$13.8 million primarily due to increased professional fees for acquisition costs.

#### Tubular Sales

Revenue for the Tubular Sales segment increased by \$17.7 million for the nine months ended September 30, 2015, or 10.3%, compared to the same period in 2014 primarily from contracted orders and being able to meet urgent unscheduled customer requests for products.

Adjusted EBITDA for the Tubular Sales segment decreased by \$0.9 million for the nine months ended September 30, 2015, or 3.4%, compared to the same period in 2014 due to lower productivity in the manufacturing operations of \$8.0 million partially offset by higher activity in Tubular sales.

#### Liquidity and Capital Resources

##### Liquidity

At September 30, 2015, we had cash and cash equivalents of \$507.1 million and debt of \$0.2 million. Our primary sources of liquidity to date have been cash flows from operations. Our primary uses of capital have been for organic growth capital expenditures and acquisitions. We continually monitor potential capital sources, including equity and debt financing, in order to meet our investment and target liquidity requirements.

Our total capital expenditures are estimated at \$120.0 million for 2015. We expect approximately \$80.0 million for the purchase and manufacture of equipment and \$40.0 million for other property, plant and equipment, inclusive of the purchase or construction of facilities. The actual amount of capital expenditures for the manufacture of equipment may fluctuate based on market conditions. During the nine months ended September 30, 2015 and 2014, capital expenditures were \$88.3 million and \$124.2 million, respectively, all of which were funded from internally generated funds. We believe our cash on hand, cash flows from operations and potential borrowings under our Credit Facility (as defined below), should be sufficient to fund our capital expenditure and liquidity requirements for the remainder of 2015.

We paid dividends on our common stock of \$69.6 million, or an aggregate of \$0.45 per common share, in addition to \$43.5 million in distributions to our noncontrolling interests during the nine months ended September 30, 2015. The timing, declaration, amount of, and payment of any dividends is within the discretion of our board of managing directors subject to the approval of our board of supervisory directors and will depend upon many factors, including our financial condition, earnings, capital requirements, covenants associated with certain of our debt service obligations, legal requirements, regulatory constraints, industry practice, ability to access capital markets, and other factors deemed relevant by our board of managing directors and our board of supervisory directors. We do not have a legal obligation to pay any dividend and there can be no assurance that we will be able to do so. The timing of distributions to our noncontrolling interests is pursuant to the Limited Partnership Agreement of Frank's International C.V. for the tax arising from their membership interests in FICV.

## Credit Facility

We have a \$100.0 million revolving credit facility with certain financial institutions, including up to \$20.0 million for letters of credit and up to \$10.0 million in swingline loans, which matures in August 2018 (the "Credit Facility"). Subject to the terms of the Credit Facility, we have the ability to increase the commitments by \$150.0 million. As of September 30, 2015 and December 31, 2014, we did not have any outstanding indebtedness under the Credit Facility. We had \$5.8 million in letters of credit outstanding as of September 30, 2015.

Borrowings under the Credit Facility bear interest, at our option, at either a base rate or an adjusted Eurodollar rate. Base rate loans under the Credit Facility bear interest at a rate equal to the higher of (a) the prime rate as published in the Wall Street Journal, (b) the Federal Funds Effective Rate plus 0.50% or (c) the adjusted Eurodollar rate plus 1.00%, plus an applicable margin ranging from 0.50% to 1.50%, subject to adjustment based on a leverage ratio. Interest is in each case payable quarterly for base-rate loans. Eurodollar loans under the Credit Facility bear interest at an adjusted Eurodollar rate equal to the Eurodollar rate for such interest period multiplied by the statutory reserves, plus an applicable margin ranging from 1.50% to 2.50%. Interest is payable at the end of applicable interest periods for Eurodollar loans, except that if the interest period for a Eurodollar loan is longer than three months, interest is paid at the end of each three-month period. The unused portion of the Credit Facility is subject to a commitment fee ranging from 0.250% to 0.375%.

The Credit Facility contains various covenants that, among other things, limit our ability to grant certain liens, make certain loans and investments, enter into mergers or acquisitions, enter into hedging transactions, change our lines of business, prepay certain indebtedness, enter into certain affiliate transactions, incur additional indebtedness or engage in certain asset dispositions.

The Credit Facility also contains financial covenants, which, among other things, require us, on a consolidated basis, to maintain: (i) a ratio of total consolidated funded debt to adjusted EBITDA (as defined in the Credit Facility) of not more than 2.50 to 1.0; and (ii) a ratio of EBITDA to interest expense of not less than 3.0 to 1.0. As of September 30, 2015, we were in compliance with all financial covenants under the Credit Facility.

In addition, the Credit Facility contains customary events of default, including, among others, the failure to make required payments, failure to comply with certain covenants or other agreements, breach of the representations and covenants contained in the agreements, default of certain other indebtedness, certain events of bankruptcy or insolvency and the occurrence of a change in control.

## Tax Receivable Agreement

We entered into a tax receivable agreement (the "TRA") with FICV and Mosing Holdings, Inc. ("MHI") in connection with our IPO. The TRA generally provides for the payment by us to MHI of 85% of the amount of the actual reductions, if any, in payments of U.S. federal, state and local income tax or franchise tax in periods after our IPO (which reductions we refer to as "cash savings") as a result of (i) the tax basis increases resulting from the transfer of FICV interests to us in connection with a conversion of shares of Preferred Stock into shares of our common stock and (ii) imputed interest deemed to be paid by us as a result of, and additional tax basis arising from, payments under the TRA. In addition, the TRA provides for interest earned from the due date (without extensions) of the corresponding tax return to the date of payment specified by the TRA. We will retain the remaining 15% of cash savings, if any. The payment obligations under the TRA are our obligations and not obligations of FICV. The term of the TRA continues until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the TRA.

If we elect to terminate the TRA early, we would be required to make an immediate payment equal to the present value of the anticipated future tax benefits subject to the TRA (based upon certain assumptions and deemed events set forth in the TRA, including the assumption that it has sufficient taxable income to fully utilize such benefits and that

any FICV interests that MHI or its transferees own on the termination date are deemed to be exchanged on the termination date). In addition, payments due under the TRA will be similarly accelerated following certain mergers or other changes of control.

In certain circumstances, we may be required to make payments under the TRA that we have entered into with

MHI. In most circumstances, these payments will be associated with the actual cash savings that we recognize in connection with a conversion of Preferred Stock, which would reduce the actual tax benefit to us. If we were to choose to terminate the TRA early or enter into certain change of control transactions, we may incur payment obligations prior to the time we actually incur any tax benefit. In those circumstances, we would need to pay the amounts out of cash on hand, finance the payments or refrain from triggering the obligation. Though we do not have any present intention of triggering an advance payment under the TRA, based on our current liquidity and our expected ability to access debt and equity financing, we believe we would be able to make such a payment if necessary. Any such payment could reduce our cash on hand and our borrowing availability, however, which would also reduce the amount of cash available to operate our business, to fund capital expenditures and to be paid as dividends to our stockholders, among other things. Please see Note 13 in the Notes to Unaudited Consolidated Financial Statements.

#### Cash Flows from Operating, Investing and Financing Activities

Cash flows provided by (used in) our operations, investing and financing activities are summarized below (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Operating activities	\$295,387	\$273,927
Investing activities	(163,966 )	(125,073 )
Financing activities	(117,240 )	(82,849 )
	14,181	66,005
Effect of exchange rate changes on cash activities	3,518	(2,564 )
Increase in cash and cash equivalents	\$17,699	\$63,441

Statements of cash flows for entities with international operations that use the local currency as the functional currency exclude the effects of the changes in foreign currency exchange rates that occur during any given year, as these are noncash changes. As a result, changes reflected in certain accounts on the consolidated statements of cash flows may not reflect the changes in corresponding accounts on the consolidated balance sheets.

#### Operating Activities

Cash flow from operating activities was \$295.4 million for the nine months ended September 30, 2015 as compared to \$273.9 million in the comparable period in 2014. The increase in 2015 was due to working capital changes, primarily in accounts receivable and inventory. The overall increase was partially offset by a decrease in net income and a change in accrued expenses and other liabilities. The changes were primarily a result of lower activity due to depressed oil prices.

#### Investing Activities

Cash flow used in investing activities was \$164.0 million for the nine months ended September 30, 2015 as compared to \$125.1 million in the comparable period in 2014. The higher amount of net cash used in investing activities was primarily related to the Timco acquisition, which was partially offset by lower capital expenditures for property, plant and equipment for the nine months ended September 30, 2015 in comparison to the same period in 2014.

#### Financing Activities

Cash flow used in financing activities was \$117.2 million for the nine months ended September 30, 2015 as compared to \$82.8 million in the comparable period in 2014. The increase in cash flow used in financing activities was primarily due to higher dividend and noncontrolling interest payments of \$23.4 million and \$11.1 million, respectively.



#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

#### Critical Accounting Policies

There were no changes to our significant accounting policies from those disclosed in our Annual Report.

#### Impact of Recent Accounting Pronouncements

Refer to Note 1 in the Notes to Unaudited Consolidated Financial Statements under Item 1 of this Form 10-Q for a discussion of accounting standards we recently adopted or will be required to adopt.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks that are inherent in our financial instruments and arise from changes in foreign currency exchange rates and interest rates. A discussion of our market risk exposure in financial instruments is presented below.

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The disclosures are not meant to be precise indicators of expected future losses or gains, but rather indicators of reasonably possible losses or gains. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

#### Foreign Currency Exchange Rates

We operate in virtually every oil and natural gas exploration and production region in the world. In some parts of the world, the currency of our primary economic environment is the U.S. dollar, and we use the U.S. dollar as our functional currency. In other parts of the world, such as Europe, Norway and Brazil, we conduct our business in currencies other than the U.S. dollar, and the functional currency is the applicable local currency. Assets and liabilities of entities for which the functional currency is the local currency are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, resulting in translation adjustments that are reflected in accumulated other comprehensive income (loss) in the shareholders' equity section on our consolidated balance sheets. A portion of our net assets are impacted by changes in foreign currencies in relation to the U.S. dollar.

For the nine months ended September 30, 2015, on a U.S. dollar-equivalent basis, approximately 20.2% of our revenue was represented by currencies other than the U.S. dollar. However, no single foreign currency poses a primary risk to us. A hypothetical 10% decrease in the exchange rates for each of the foreign currencies in which a portion of our revenues is denominated would result in a 1.8% decrease in our overall revenues for the nine months ended September 30, 2015.

During 2014, Venezuela enacted certain changes to its foreign exchange system such that, in addition to the official rate of 6.3 Venezuelan Bolivar Fuertes ("Bolivars") per U.S. Dollar, there were two other legal exchange rates that may be obtained via different exchange rate mechanisms. These changes included the expansion of what is known as the SICAD I auction rate and the introduction of the SICAD II auction process. On February 10, 2015, the Venezuelan government announced that the transactions for the sale of purchase of foreign currency under the SICAD II exchange system would no longer be available and created a new open market foreign exchange system (SIMADI).

During 2015, we concluded that it was appropriate to apply the SIMADI exchange rate as we believed that this rate best represented the economics of our business activity in Venezuela. At September 30, 2015, we had approximately



\$0.4 million in net monetary assets denominated in Bolivars using the SIMADI rate, which was approximately 199.42 Bolivars to the U.S. dollar. In the event of a devaluation of the current exchange mechanism in Venezuela or any other new exchange mechanism that might emerge for financial reporting purposes, it would result in our recording a devaluation charge in our consolidated statements of income.

### Interest Rate Risk

As of September 30, 2015, we did not have an outstanding balance under the Credit Facility. If we borrow under the Credit Facility in the future, we will be exposed to changes in interest rates on our floating rate borrowings under the Credit Facility. Although we do not currently utilize interest rate derivative instruments to reduce interest rate exposure, we may do so in the future.

### Customer Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are trade receivables. We extend credit to customers and other parties in the normal course of business. We have established various procedures to manage our credit exposure, including credit evaluations and maintaining an allowance for doubtful accounts.

We are also exposed to credit risk because our customers are concentrated in the oil and natural gas industry. This concentration of customers may impact overall exposure to credit risk, either positively or negatively, because our customers may be similarly affected by changes in economic and industry conditions, including sensitivity to commodity prices. While current energy prices are important contributors to positive cash flow for our customers, expectations about future prices and price volatility are generally more important for determining future spending levels. However, any prolonged increase or decrease in oil and natural gas prices affects the levels of exploration, development and production activity, as well as the entire health of the oil and natural gas industry, and can therefore negatively impact spending by our customers.

## Item 4. Controls and Procedures

### (a) Evaluation of Disclosure Controls and Procedures.

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure, and such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2015 at the reasonable assurance level.

### (b) Change in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See Part I, Item 1, Note 17 in the Notes to Unaudited Consolidated Financial Statements entitled “Commitments and Contingencies,” which is incorporated in this item by reference.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 6, 2015 (our “Annual Report”), which risks could materially affect our business, financial condition or future results. These risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations. There have been no material changes to the risk factors set forth in our Annual Report, other than as set forth below.

Legislation or regulations restricting the use of hydraulic fracturing could reduce demand for our services.

Hydraulic fracturing is an important and common practice in the oil and gas industry. The process involves the injection of water, sand and chemicals under pressure into a formation to fracture the surrounding rock and stimulate production of hydrocarbons. We do not perform hydraulic fracturing, but many of our customers utilize this technique. Certain environmental advocacy groups and regulatory agencies have suggested that additional federal, state and local laws and regulations may be needed to more closely regulate the hydraulic fracturing process, and have made claims that hydraulic fracturing techniques are harmful to surface water and drinking water resources and may cause earthquakes. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating or preparing to regulate hydraulic fracturing, directly or indirectly. For example, in August 2015, the U.S. Environmental Protection Agency announced proposed rules that would establish new air emission controls for methane emissions from certain new, modified or reconstructed equipment and processes in the oil and natural gas source category, including production, processing, transmission and storage activities, as part of an overall effort to reduce methane emissions by up to 45 percent in 2025. These rules have the potential to impose significant costs on our customers. The adoption of legislation or regulatory programs that restrict hydraulic fracturing could adversely affect, reduce or delay well drilling and completion activities, increase the cost of drilling and production, and thereby reduce demand for our services.

### Item 6. Exhibits

The Exhibit Index, which follows the signature page to this report and is incorporated by reference herein, sets forth a list of exhibits to this report.

SIGNATURES

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 thereunto duly authorized.

FRANK'S INTERNATIONAL N.V.

Date: November 4, 2015

By: /s/ Jeffrey J. Bird  
Jeffrey J. Bird  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

EXHIBIT INDEX

- 3.1 Deed of Amendment to Articles of Association of Frank's International N.V., dated May 14, 2014 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-36053), filed on May 16, 2014).
- †10.1 Third Amendment to Frank's International N.V. Employee Stock Purchase Plan effective as of January 1, 2016 (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q (File No. 001-36053), filed on August 5, 2015).
- \*31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 (a) under the Securities Exchange Act of 1934.
- \*31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- \*\*32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
- \*\*32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
- \*101.INS XBRL Instance Document.
- \*101.SCH XBRL Taxonomy Extension Schema Document.
- \*101.CAL XBRL Taxonomy Calculation Linkbase Document.
- \*101.DEF XBRL Taxonomy Definition Linkbase Document.
- \*101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- \*101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

†Represents management contract or compensatory plan or arrangement.

\* Filed herewith.

\*\*Furnished herewith.