FRANK'S INTERNATIONAL N.V.
Form 10-Q
August 07, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
þ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2017
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	98-1107145
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification number)
Mastenmakersweg 1 1786 PB Den Helder, The Netherlands	Not Applicable
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: +31 (0)22 367 0000
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 þ 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 þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
As of July 31, 2017, there were 223,053,572 shares of common stock, €0.01 par value per share, outstanding.

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Item 1. Financial Statements
FRANK'S INTERNATIONAL N.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2017	December 31, 2016
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$274,950	$319,526
Accounts receivables, net	167,965	167,417
Inventories	135,098	139,079
Assets held for sale	4,876	—
Other current assets	10,895	14,027
Total current assets	593,784	640,049
Property, plant and equipment, net	525,839	567,024
Goodwill and intangible assets, net	250,503	256,146
Deferred tax assets	90,335	79,309
Other assets	32,991	45,533
Total assets	$1,493,452	$1,588,061
Liabilities and Equity		
Current liabilities:		
Short-term debt	$121	$276
Accounts payable	19,540	16,081
Deferred revenue	10,367	18,072
Accrued and other current liabilities	71,101	64,950
Total current liabilities	101,129	99,379
Deferred tax liabilities	4,796	20,951
Other non-current liabilities	153,034	156,412
Total liabilities	258,959	276,742
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, €0.01 par value, 798,096,000 shares authorized, 223,896,772 shares issued and 223,052,279 shares outstanding at 2017 and 223,161,356 shares issued and 222,401,427 shares outstanding at 2016	2,811	2,802
Additional paid-in capital	1,045,486	1,036,786
Retained earnings	231,231	317,270
Accumulated other comprehensive loss	(31,897)	(32,977)
Treasury stock (at cost), 844,493 shares at 2017 and 759,929 shares at 2016	(13,138)	(12,562)
Total equity	1,234,493	1,311,319
Total liabilities and equity	$1,493,452	$1,588,061

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Equipment rentals and services	$93,533	$95,177	$179,855	$226,434
Products	24,126	25,769	48,535	47,998
Total revenue	117,659	120,946	228,390	274,432
Operating expenses:				
Cost of revenues, exclusive of depreciation and amortization				
Equipment rentals and services	60,777	64,309	117,884	132,658
Products	17,567	19,926	34,412	35,417
General and administrative expenses	42,419	55,667	85,144	98,909
Depreciation and amortization	30,951	28,283	62,050	57,733
Severance and other charges	(299)	3,718	738	4,324
(Gain) loss on sale of assets	210	(279)	(1,262)	(1,049)
Operating loss	(33,966)	(50,678)	(70,576)	(53,560)
Other income (expense):				
Other income, net	598	1,658	732	1,161
Interest income, net	753	198	1,151	404
Mergers and acquisition expense	(10)	—	(459)	—
Foreign currency gain (loss)	599	(4,170)	1,345	(4,211)
Total other income (expense)	1,940	(2,314)	2,769	(2,646)
Loss before income tax benefit	(32,026)	(52,992)	(67,807)	(56,206)
Income tax benefit	(6,076)	(7,705)	(15,194)	(8,511)
Net loss	(25,950)	(45,287)	(52,613)	(47,695)
Net loss attributable to noncontrolling interest	—	(13,889)	—	(15,525)
Net loss attributable to Frank's International N.V.	(25,950)	(31,398)	(52,613)	(32,170)
Preferred stock dividends	—	(1)	—	(1)
Net loss available to Frank's International N.V. common shareholders	$(25,950)	$(31,399)	$(52,613)	$(32,171)
Dividends per common share	$0.075	$0.15	$0.15	$0.30
Loss per common share:				
Basic and diluted	$(0.12)	$(0.20)	$(0.24)	$(0.21)
Weighted average common shares outstanding:				
Basic and diluted	222,914	155,440	222,740	155,342

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

FRANK'S INTERNATIONAL N.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	$(25,950)	$(45,287)	$(52,613)	$(47,695)
Other comprehensive income (loss):				
Foreign currency translation adjustments	838	(912)	1,321	1,750
Marketable securities:				
Unrealized gain (loss) on marketable securities	77	700	(4)	1,116
Reclassification to net income	—	—	(395)	—
Deferred tax asset / liability change	—	(235)	158	(460)
Unrealized gain (loss) on marketable securities, net of tax	77	465	(241)	656
Total other comprehensive income (loss)	915	(447)	1,080	2,406
Comprehensive loss	(25,035)	(45,734)	(51,533)	(45,289)
Less: Comprehensive loss attributable to noncontrolling interest	—	(14,003)	—	(14,916)
Comprehensive loss attributable to Frank's International N.V.	$(25,035)	$(31,731)	$(51,533)	$(30,373)

The accompanying notes are an integral part of these condensed consolidated financial statements.
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FRANK'S INTERNATIONAL N.V.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2016							
	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury	Non-controlling	Total Stockholders'
	Shares	Value	Capital	Earnings	Income (Loss)	Stock	Interest	Equity
Balances at December 31, 2015	155,146	$2,045	$712,486	$531,621	$ (25,555)	$(9,298)	$240,127	$1,451,426
Net loss	—	—	—	(32,170)	—	—	(15,525)	(47,695)
Foreign currency translation adjustments	—	—	—	—	1,306	—	444	1,750
Change in marketable securities	—	—	—	—	491	—	165	656
Equity-based compensation expense	—	—	8,528	—	—	—	—	8,528
Distributions to noncontrolling interest	—	—	—	—	—	—	(8,027)	(8,027)
Common stock dividends ($0.30 per share)	—	—	—	(46,842)	—	—	—	(46,842)
Preferred stock dividends	—	—	—	(1)	—	—	—	(1)
Common shares issued upon vesting of restricted stock units	384	4	(4)	—	—	—	—	—
Common shares issued for employee stock purchase plan (ESPP)	76	1	972	—	—	—	—	973
Treasury shares withheld	(91)	—	—	—	—	(1,396)	—	(1,396)
Balances at June 30, 2016	155,515	$2,050	$721,982	$452,608	$ (23,758)	$(10,694)	$217,184	$1,359,372

	Six Months Ended June 30, 2017							
	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury	Non-controlling	Total Stockholders'
	Shares	Value	Capital	Earnings	Income (Loss)	Stock	Interest	Equity
Balances at December 31, 2016	222,401	$2,802	$1,036,786	$317,270	$ (32,977)	$(12,562)	$—	$1,311,319
Net loss	—	—	—	(52,613)	—	—	—	(52,613)
Foreign currency translation adjustments	—	—	—	—	1,321	—	—	1,321
	—	—	—	—	(241)	—	—	(241)

Change in marketable securities								
Equity-based compensation expense	—	—	9,116	—	—	—	—	9,116
Common stock dividends ($0.15 per share)	—	—	—	(33,426)	—	—	—	(33,426)
Common shares issued upon vesting of restricted stock units	685	7	(7)	—	—	—	—	—
Common shares issued for ESPP	50	1	525	—	—	—	—	526
Treasury shares issued upon vesting of restricted stock units	1	—	(31)	—	—	23	—	(8)
Treasury shares issued for ESPP	105	1	(903)	—	—	1,642	—	740
Treasury shares withheld	(190)	—	—	—	—	(2,241)	—	(2,241)
Balances at June 30, 2017	223,052	$2,811	$1,045,486	$231,231	$ (31,897)	$(13,138)	$—	$1,234,493

The accompanying notes are an integral part of these condensed consolidated financial statements.
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FRANK'S INTERNATIONAL N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net loss	$(52,613)	$(47,695)
Adjustments to reconcile net loss to cash (used in) provided by operating activities		
Depreciation and amortization	62,050	57,733
Equity-based compensation expense	9,116	8,528
Amortization of deferred financing costs	246	82
Deferred tax benefit	(20,320)	(9,071)
Provision for bad debts	371	10,374
Gain on sale of assets	(1,262)	(1,049)
Changes in fair value of investments	(1,474)	(329)
Realized loss on sale of investment	478	—
Unrealized (gain) loss on derivatives	730	(319)
Other	(1,876)	—
Changes in operating assets and liabilities		
Accounts receivable	(6,697)	68,766
Inventories	5,627	11,378
Other current assets	3,102	3,058
Other assets	1,745	188
Accounts payable	(439)	(2,166)
Deferred revenue	(7,707)	(21,223)
Accrued and other current liabilities	4,839	(17,958)
Other non-current liabilities	(3,383)	(2,260)
Net cash (used in) provided by operating activities	(7,467)	58,037
Cash flows from investing activities		
Purchases of property, plant and equipment	(15,197)	(18,371)
Proceeds from sale of assets	2,200	1,957
Proceeds from sale of investments	11,499	—
Purchase of investments	(118)	(838)
Other	(43)	—
Net cash used in investing activities	(1,659)	(17,252)
Cash flows from financing activities		
Repayments of borrowings	(154)	(4,960)
Proceeds from borrowings	—	256
Dividends paid on common stock	(33,426)	(46,842)
Dividends paid on preferred stock	—	(1)
Distribution to noncontrolling interest	—	(8,027)
Net treasury shares withheld	(2,249)	(1,396)
Proceeds from the issuance of ESPP shares	1,266	973
Net cash used in financing activities	(34,563)	(59,997)
Effect of exchange rate changes on cash	(887)	(1,776)

Net decrease in cash and cash equivalents	(44,576)	(20,988)
Cash and cash equivalents at beginning of period	319,526	602,359
Cash and cash equivalents at end of period	$274,950	$581,371
Non-cash transactions:		
Change in accounts payable and accrued expenses related to capital expenditures	$2,901	$739

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

FRANK'S INTERNATIONAL N.V.
NOTES TO UNAUDITED CONDENSED 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, tubular fabrication and specialty well construction and well intervention solutions 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 condensed consolidated financial statements of FINV for the three and six months ended June 30, 2017 and 2016 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 condensed consolidated financial statements.

Our accompanying condensed consolidated financial statements have not been audited by our independent registered public accounting firm. The consolidated balance sheet at December 31, 2016 is derived from audited financial statements. However, 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, 2016, which are included in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 24, 2017 ("Annual Report"). In the opinion of management, these condensed consolidated 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 condensed 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.

Reclassifications

Historically, and through December 31, 2016, certain direct and indirect costs related to operations and manufacturing were classified and reported as general and administrative expenses ("G&A"). The historical classification was consistent with the information used by the Company's chief operating decision maker ("CODM") to assess performance of the Company's segments and make resource allocation decisions, and the classification of such costs within the condensed consolidated statements of income was aligned with the segment presentation. Effective January 1, 2017, the company changed the classification of certain of these costs in its segment reporting disclosures and within the condensed consolidated statements of income to reflect a change in the presentation of the information used by the Company's CODM.

This reclassification of costs between cost of revenue and G&A has no net impact to the condensed consolidated statements of income or to total segment reporting. The change will better reflect the CODM's philosophy on assessing performance and allocating resources, as well as improve comparability to the Company's peer group. This is a change in costs classification and has been reflected retrospectively for all periods presented.

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

The following is a summary of reclassifications to previously reported amounts (in thousands):

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	As previously reported	Reclassifications	As currently reported	As previously reported	Reclassifications	As currently reported
Condensed Consolidated Statements of Operations						
Cost of revenues, exclusive of depreciation and amortization						
Equipment rentals and services	$52,564	$ 11,745	$64,309	$108,365	$ 24,293	$132,658
Products	17,028	2,898	19,926	29,357	6,060	35,417
General and administrative expenses	70,310	(14,643)	55,667	129,262	(30,353)	98,909

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 were either determined to be not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In May 2017, the FASB issued guidance to clarify and reduce both (i) diversity in practice and (ii) cost and complexity when accounting for a change to the terms and conditions of a share-based payment award. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted. The amendments in this guidance should be applied prospectively to an award modified on or after the adoption date. Management is evaluating the provisions of this new accounting guidance, including which period to adopt, and has not determined what impact the adoption will have on our consolidated financial statements.

In January 2017, the FASB issued guidance that simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. The new standard will be applied prospectively, and is effective for public companies for their annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company has adopted the provisions of this new accounting guidance for the Company's annual goodwill impairment analysis for the year ended December 31, 2017.

In January 2017, the FASB issued new accounting guidance for business combinations clarifying the definition of a business. The objective of the guidance is to help companies and other organizations which have acquired or sold a business to evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public entities, the guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted under certain circumstances. Management is evaluating the provisions of this new accounting guidance, including which period to adopt, and has not determined what impact the adoption will have on our consolidated financial statements.

In October 2016, the FASB issued new accounting guidance for recognition of income tax consequences of an intra-entity transfer of an asset other than inventory. The objective of the guidance is to eliminate the exception for an intra-entity transfer of an asset other than inventory and requires an entity to recognize the income tax consequences at the time of transfer rather than when the asset is sold to a third party. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not yet been issued. Management is evaluating the provisions of this new accounting guidance, including which period to adopt, and has not determined what impact the adoption will have on our consolidated financial statements.

In August 2016, the FASB issued new accounting guidance for classification of certain cash receipts and cash payments in the statement of cash flows. The objective of the guidance is to reduce the existing diversity in practice related to the presentation and classification of certain cash receipts and cash payments. The guidance addresses eight specific cash flow issues including but not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and proceeds from the settlement of corporate-owned life insurance policies. For public entities, the guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and is retrospective for all periods presented. Early adoption is permitted including for interim periods. Management is evaluating the provisions of this new accounting guidance, including which period to adopt, and has not determined what impact the adoption will have on our consolidated financial statements.

In June 2016, the FASB issued new accounting guidance for credit losses on financial instruments. The guidance includes the replacement of the “incurred loss” approach for recognizing credit losses on financial assets, including trade receivables, with a methodology that reflects expected credit losses, which considers historical and current information as well as reasonable and supportable forecasts. For public entities, the guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is evaluating the provisions of this new accounting guidance, including which period to adopt, and has not determined what impact the adoption will have on our consolidated financial statements.

In March 2016, the FASB issued accounting guidance on equity compensation, which simplifies the accounting for the taxes related to equity-based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The ASU also gives an option to recognize actual forfeitures when they occur and clarifies the statement of cash flow presentation for certain components of share-based awards. We adopted this guidance on January 1, 2017 and have elected to recognize actual forfeitures when they occur. The adoption did not have an impact on our consolidated financial statements.

In February 2016, the FASB issued accounting guidance for leases. The main objective of the accounting guidance is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous GAAP and the new guidance is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The new guidance requires lessees to recognize assets and liabilities arising from leases on the balance sheet and further defines a lease as a contract that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has both (1) the right to obtain substantially all of the economic benefit from the use of the asset and (2) the right to direct the use of the asset. The accounting guidance requires disclosures by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. For public entities, the guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; early application is permitted. We are currently evaluating the impact of this accounting standard update on our consolidated financial statements.

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 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. We adopted this guidance on January 1, 2017, and the adoption did not have a material impact on our consolidated financial statements.

FRANK’S INTERNATIONAL N.V.
NOTES TO UNAUDITED CONDENSED 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, 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. The standard creates a five step model that requires companies to exercise judgment when considering the terms of a contract and all relevant facts and circumstances. The standard allows for several transition methods: (a) a full retrospective adoption in which the standard is applied to all of the periods presented, or (b) a modified retrospective adoption in which the standard is applied only to the most current period presented in the financial statements, including additional disclosures of the standard’s application impact to individual financial statement line items. 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.

We are currently determining the impacts of the new standard on our contract portfolio. Our implementation efforts to date include the identification of revenue streams with similar contract structures, performing a detailed review of key contracts by revenue stream and comparing historical policies and practices to the new standard. Our evaluation of the impact of the new guidance on our consolidated financial statements is ongoing and we continue to evaluate the quantitative and qualitative impacts of the standard on timing of recognition for various revenues, which may be accelerated or deferred depending on the features of the customer arrangements and the presentation of contract costs (whether presented gross or offset against revenues). We currently anticipate adopting this standard using the modified retrospective method.

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. Effective with the August 2016 conversion of all of Mosing Holdings, LLC's ("Mosing Holdings") Series A preferred stock (the "Preferred Stock"), Mosing Holdings transferred all its interest in FICV to us and the noncontrolling interest associated with Mosing Holdings was eliminated.

Historically we recorded a noncontrolling interest on our condensed consolidated balance sheet with respect to the remaining economic interest in FICV held by Mosing Holdings. Net loss attributable to noncontrolling interest on the statements of operations represented the portion of earnings or losses attributable to the economic interest in FICV held by Mosing Holdings. The allocable domestic loss from FICV to FINV was subject to U.S. taxation.

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

	Three Months Ended	Six Months Ended
	June 30, 2016	
Net loss	$(45,287)	$(47,695)
Add: Benefit for U.S. income taxes of FINV [1]	(9,609)	(13,493)
Less: (Income) loss of FINV [2]	88	(74)
Net loss subject to noncontrolling interest	(54,808)	(61,262)
Noncontrolling interest percentage [3]	25.3 %	25.3 %
Net loss attributable to noncontrolling interest	$(13,889)	$(15,525)

(1) Represents income tax benefit of entities outside of FICV as well as income tax 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 Mosing Holdings at June 30, 2016. This percentage changed as additional shares of FINV common stock were issued. Effective August 26, 2016, Mosing Holdings delivered its economic interest in FICV to us.

Note 3—Acquisition and Divestiture

Blackhawk Acquisition

On November 1, 2016, we completed a transaction to acquire all outstanding shares in Blackhawk Group Holdings, Inc., the ultimate parent company of Blackhawk Specialty Tools LLC, ("Blackhawk") pursuant to the terms of a definitive merger agreement dated October 6, 2016. Blackhawk is a leading provider of well construction and well intervention services and products and the acquisition will allow us to combine Blackhawk’s cementing tool expertise and well intervention services with our global tubular running services. In conjunction with the acquisition, FI Tools Holdings, LLC, our newly formed subsidiary, merged with and into Blackhawk, with Blackhawk surviving the merger as our wholly-owned subsidiary. The merger consideration was comprised of a combination of $150.4 million of cash on hand and 12.8 million shares of our common stock, on a cash-free, debt-free basis, for total consideration of $294.6 million (based on our closing share price on October 31, 2016 of $11.25 and including working capital adjustments).

The unaudited pro forma financial information presented below includes adjustments for amortization expense for identified intangible assets and depreciation expense based on the fair value and estimated lives of acquired property, plant and equipment. In addition, acquisition related costs are excluded from the unaudited pro forma financial information.

The following table shows our unaudited pro forma financial information assuming the transaction occurred on January 1, 2015 (in thousands, except per share amounts):

	Three Months Ended	Six Months Ended
	June 30, 2016	
Revenue	$136,680	$311,060
Net loss applicable to common shares	(37,353)	(40,964)
Loss per common share:		
Basic and diluted	$(0.22)	$(0.24)

The Blackhawk acquisition was accounted for as a business combination. 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.

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

The preliminary purchase price allocation was prepared in connection with our annual financial statements filed on our Annual Report. In 2017, we adjusted the purchase price allocation for a litigation settlement and the final valuation report. The following table summarizes the preliminary and the final purchase price allocations of the fair values of the assets acquired and liabilities assumed as part of the Blackhawk acquisition as of November 1, 2016 as determined in accordance with business combination accounting guidance (in thousands):

	Preliminary purchase price allocation	Purchase price adjustments	Final purchase price allocation
Current assets, excluding cash	$ 23,626	$ —	$ 23,626
Property, plant and equipment	45,091	55	45,146
Other long-term assets	3,139	—	3,139
Intangible assets	41,972	153	42,125
Assets acquired	$ 113,828	$ 208	$ 114,036
Current liabilities assumed	11,132	185	11,317
Other long-term liabilities	542	—	542
Liabilities assumed	$ 11,674	$ 185	$ 11,859
Fair value of net assets acquired	102,154	23	102,177
Total consideration transferred	294,563	—	294,563
Goodwill	$ 192,409	$ (23)	$ 192,386

In conjunction with the merger, we created a fourth segment, Blackhawk, and have recorded goodwill of $192.4 million in that segment.

Divestiture

On March 15, 2017, we sold a fully depreciated aircraft for a total sales price of $1.3 million and recorded a gain on sale of $1.3 million.

Note 4—Accounts Receivable, net

Accounts receivable at June 30, 2017 and December 31, 2016 were as follows (in thousands):

	June 30, 2017	December 31, 2016
Trade accounts receivable, net of allowance of $14,064 and $14,337, respectively	$ 108,753	$ 89,096
Unbilled revenue	24,829	30,882
Taxes receivable	29,614	42,870
Affiliated [1]	838	717
Other receivables	3,931	3,852
Total accounts receivable	$ 167,965	$ 167,417

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

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Note 5—Inventories

Inventories at June 30, 2017 and December 31, 2016 were as follows (in thousands):

	June 30, 2017	December 31, 2016
Pipe and connectors	$92,281	$102,360
Finished goods	15,850	14,257
Work in progress	7,933	7,099
Raw materials, components and supplies	19,034	15,363
Total inventories	$135,098	$139,079

Note 6—Property, Plant and Equipment

The following is a summary of property, plant and equipment at June 30, 2017 and December 31, 2016 (in thousands):

	Estimated Useful Lives in Years	June 30, 2017	December 31, 2016
Land	—	$15,948	$ 15,730
Land improvements	8-15	9,256	9,379
Buildings and improvements	39	129,967	73,211
Rental machinery and equipment	7	933,489	933,667
Machinery and equipment - other	7	58,559	60,182
Furniture, fixtures and computers	5	20,767	19,073
Automobiles and other vehicles	5	32,650	36,796
Aircraft	7	—	16,267
Leasehold improvements	7-15, or lease term if shorter	10,261	8,027
Construction in progress - machinery and equipment and buildings	—	70,050	120,937
		1,280,947	1,293,269
Less: Accumulated depreciation		(755,108)	(726,245)
Total property, plant and equipment, net		$525,839	$ 567,024

Note 7—Other Assets

Other assets at June 30, 2017 and December 31, 2016 consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Cash surrender value of life insurance policies (1)	$29,088	$ 36,269
Deposits	2,217	2,343
Other	1,686	6,921
Total other assets	$32,991	$ 45,533

(1) See Note 10 – Fair Value Measurements

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Note 8—Accrued and Other Current Liabilities

Accrued and other current liabilities at June 30, 2017 and December 31, 2016 consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Accrued compensation	$12,239	$ 10,250
Accrued property and other taxes	23,819	19,740
Accrued severance and other charges	1,942	6,150
Income taxes	5,653	6,857
Accrued medical claims	907	604
Accrued purchase orders	6,260	2,083
Other	20,281	19,266
Total accrued and other current liabilities	$71,101	$ 64,950

Note 9—Debt

Credit Facility

We have a $100.0 million revolving credit facility with certain financial institutions, including up to $20.0 million in 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 to $150.0 million. At June 30, 2017 and December 31, 2016, we had $4.4 million and $3.7 million, respectively, in letters of credit outstanding and no outstanding borrowings under this facility.

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 (i) the prime rate as published in the Wall Street Journal, (ii) the Federal Funds Effective Rate plus 0.50% or (iii) 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.

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.

On April 28, 2017, the Company obtained a limited waiver under its Revolving Credit Agreement, dated August 14, 2013, by and among FICV (as borrower), Amegy Bank National Association (as administrative agent), Capital One, National Association (as syndication agent) and the other lenders party thereto (the "Credit Agreement"), of its leverage ratio and interest coverage ratio for the fiscal quarters ending March 31, 2017 and June 30, 2017 (the “Waiver”) in order to not be in default for first quarter of 2017 testing. The Company agreed to comply with the following conditions during the period from the effective date of the Waiver until the delivery of its compliance certificate with respect to the fiscal quarter ending September 30, 2017: (i) maintain no less than $250.0 million in liquidity; (ii) abide by certain restrictions regarding the issuance of senior unsecured debt; and (iii) pay interest and commitment fees based on the highest “Applicable Margin” (as defined in the Credit Agreement) level. In connection with the Waiver, the Company paid a waiver fee to each lender that executed the Waiver equal to five basis points of the respective lender’s commitment under the Credit Agreement.

Citibank Credit Facility

In 2016, we entered into a three-year credit facility with Citibank N.A., UAE Branch in the amount of $6.0 million for the issuance of standby letters of credit and guarantees. The credit facility also allows for open ended guarantees. Outstanding amounts under the credit facility bear interest of 1.25% per annum for amounts outstanding up to one year. Amounts outstanding more than one year bear interest at 1.5% per annum. As of June 30, 2017 and December 31, 2016, we had $3.0 million and $2.2 million, respectively, in letters of credit outstanding.

Note 10—Fair Value Measurements

We follow fair value measurement authoritative accounting guidance for measuring fair values of assets and liabilities in financial statements. We have consistently used the same valuation techniques for all periods presented. Please see Note 10 - Fair Value Measurements in our Annual Report for further discussion.

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A summary of financial assets and liabilities that are measured at fair value on a recurring basis, as of June 30, 2017 and December 31, 2016, were as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2017				
Assets:				
Derivative financial instruments	$ —	$ 25	$ —	$ 25
Investments:				
Cash surrender value of life insurance policies - deferred compensation plan	—	29,088	—	29,088
Marketable securities - other	164	—	—	164
Liabilities:				
Derivative financial instruments	—	609	—	609
Deferred compensation plan	—	27,586	—	27,586
December 31, 2016				
Assets:				
Derivative financial instruments	$ —	$ 146	$ —	$ 146
Investments:				
Cash surrender value of life insurance policies - deferred compensation plan	—	36,269	—	36,269
Marketable securities - other	3,692	—	—	3,692
Liabilities:				
Deferred compensation plan	—	30,307	—	30,307

Our derivative financial instruments consist of short-duration foreign currency forward contracts. The fair value of our derivative financial instruments is based on quoted market values including foreign exchange forward rates and interest rates. The fair value is computed by discounting the projected future cash flow amounts to present value. Derivative financial instruments are included in our condensed consolidated balance sheets in accounts receivable, net and accrued and other current liabilities at June 30, 2017 and in accounts receivable, net, at December 31, 2016.

Our investments associated with our deferred compensation plan consist primarily of the cash surrender value of life insurance policies and are included in other assets on the condensed consolidated balance sheets. Our investments change as a result of contributions, payments, and fluctuations in the market. 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. We also have marketable securities in publicly traded equity securities as an indirect result of strategic investments. They are reported at fair value based on the price of the stock and are included in other assets on the condensed consolidated balance sheets.

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 (see Note 3 - Acquisition and Divestiture), 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 condensed 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 approximate fair values due to their short maturities.

Note 11— Derivatives

We enter into short-duration foreign currency forward derivative contracts to reduce the risk of foreign currency fluctuations. We use these instruments to mitigate our exposure to non-local currency operating working capital. We record these contracts at fair value on our condensed consolidated balance sheets. Although the derivative contracts will serve as an economic hedge of the cash flow of our currency exchange risk exposure, they are not formally designated as hedge contracts for hedge accounting treatment. Accordingly, any changes in the fair value of the derivative instruments during a period will be included in our condensed consolidated statements of operations.

As of June 30, 2017 and December 31, 2016, we had the following foreign currency derivative contracts outstanding in U.S. dollars (in thousands):

	June 30, 2017		
Derivative Contracts	Notional Amount	Contractual Exchange Rate	Settlement Date
Canadian dollar	$6,040	1.3245	9/14/2017
Euro	7,747	1.1227	9/15/2017
Euro	2,260	1.1302	7/14/2017
Norwegian krone	9,472	8.4461	9/15/2017
Pound sterling	11,479	1.2755	9/15/2017
	December 31, 2016		
Derivative Contracts	Notional Amount	Contractual Exchange Rate	Settlement Date
Canadian dollar	$4,553	1.3179	3/14/2017
Euro	4,753	1.0563	3/14/2017
Euro	2,558	1.0659	1/13/2017
Norwegian krone	3,643	8.5101	3/14/2017
Pound sterling	3,908	1.2607	3/14/2017

The following table summarizes the location and fair value amounts of all derivative contracts in the condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016 (in thousands):

Derivatives not Designated as Hedging Instruments	Consolidated Balance Sheet Location	June 30, 2017	December 31, 2016
Foreign currency contracts	Accounts receivable, net	$ 25	$ 146
Foreign currency contracts	Accrued and other current liabilities	(609)	—

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The following table summarizes the location and amounts of the realized and unrealized gains and losses on derivative contracts in the condensed consolidated statements of operations (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative Contracts	2017	2016	2017	2016
Unrealized gain (loss) on foreign currency contracts	Other income, net	$(274)	$1,293	$(730)	$319
Realized loss on foreign currency contracts	Other income, net	(807)	(865)	(552)	(1,579)
Total net income (loss) on foreign currency contracts		$(1,081)	$428	$(1,282)	$(1,260)

Our derivative transactions are governed through International Swaps and Derivatives Association ("ISDA") master agreements. These agreements include stipulations regarding the right of offset in the event that we or our counterparty default on our performance obligations. If a default were to occur, both parties have the right to net amounts payable and receivable into a single net settlement between parties. Our accounting policy is to offset derivative assets and liabilities executed with the same counterparty when a master netting arrangement exists.

The following table presents the gross and net fair values of our derivatives at June 30, 2017 and December 31, 2016 (in thousands):

	Derivative Asset Positions		Derivative Liability Positions	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Gross position - asset / (liability)	$25	$ 181	$(609)	$ (35)
Netting adjustment	—	(35)	—	35
Net position - asset / (liability)	$25	$ 146	$(609)	$ —

Note 12—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 company. Rent expense related to these leases was $1.7 million and $1.8 million for the three months ended June 30, 2017 and 2016, respectively, and $3.5 million and $4.5 million for the six months ended June 30, 2017 and 2016, 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. The WA agreements reflect both dry lease and wet lease rental, whereby we are charged a flat monthly fee primarily for crew, hangar, maintenance and administration costs in addition to other variable costs for fuel and maintenance. We also earn charter income from third party usage through a revenue sharing agreement. We recorded $0.7 million and $0.5 million of net charter expense for the three months ended June 30, 2017 and 2016, respectively, and $0.6 million and $0.5 million of net charter expense for six months ended June 30, 2017 and 2016, respectively.

During the first quarter of 2017, we committed to a formal plan to sell two aircraft and determined those assets met the criteria to be classified as held for sale in our unaudited condensed consolidated balance sheet.

Tax Receivable Agreement

Mosing Holdings and its permitted transferees converted all of their Preferred Stock into shares of our common stock on a one-for-one basis on August 26, 2016, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications and other similar transactions, by delivery of an equivalent portion of their interests in FICV to us (the “Conversion”). FICV will make an election under Section 754 of the Internal Revenue Code. Pursuant to the Section 754 election, the Conversion will result in an adjustment to the tax basis of the tangible and intangible assets of FICV with respect to the portion of FICV now held by FINV. These adjustments will be allocated to FINV. The adjustments to the tax basis of the tangible and intangible assets of FICV described above would not have been available absent this Conversion. The 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 Mosing Holdings in connection with our initial public offering ("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 Conversion 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. The payments under the TRA will not be conditioned upon a holder of rights under the TRA having a continued ownership interest in either FICV or FINV. We will retain the remaining 15% of cash savings, if any.

As of both June 30, 2017 and December 31, 2016, our estimated TRA liability was $124.6 million. This represents 85% of the future cash savings expected from the utilization of the original basis adjustments plus subsequent basis adjustments that will result from payments under the TRA agreement. The estimation of the TRA liability is by its nature imprecise and subject to significant assumptions regarding the amount and timing of taxable income in the future and the tax rates then applicable. The time period over which the cash savings is expected to be realized is estimated to be over 20 years. Based on FINV’s estimated tax position, we expect to make a TRA payment in 2017 of approximately $2.1 million for the tax year ending December 31, 2016.

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 FINV elects to exercise its sole right to terminate the TRA early. If FINV elects to terminate the TRA early, which it may do so in its sole discretion, 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 Mosing Holdings 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 June 30, 2017, the estimated termination payment would be approximately $100.8 million (calculated using a discount rate of 5.61%). 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 or 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.

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Note 13 - Loss Per Common Share

Basic loss per common share is determined by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing loss 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. Through August 26, 2016, the date of the conversion of all of Mosing Holdings' Preferred Stock and Mosing Holdings' transfer of interest in FICV to us, the diluted loss per share calculation assumed the conversion of 100% of our outstanding Preferred Stock on an as if converted basis. Accordingly, the numerator was also adjusted to include the earnings allocated to the noncontrolling interest after taking into account the tax effect of such exchange.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator				
Net loss	$(25,950)	$(45,287)	$(52,613)	$(47,695)
Less: Net loss attributable to noncontrolling interest	—	13,889	—	15,525
Less: Preferred stock dividends	—	(1)	—	(1)
Net loss available to common shareholders	$(25,950)	$(31,399)	$(52,613)	$(32,171)
Denominator				
Basic and diluted [(1)] weighted average common shares	222,914	155,440	222,740	155,342
Loss per common share:				
Basic and diluted	$(0.12)	$(0.20)	$(0.24)	$(0.21)

(1)	Approximate number of shares of potentially convertible preferred stock to common stock up until the time of conversion on August 26, 2016, unvested restricted stock units and stock to be issued pursuant to the employee stock purchase plan have been excluded from the computation of diluted loss per share as the effect would be anti-dilutive when the results from operations are at a net loss.	425	54,534	616	54,489

Note 14—Income Taxes

For interim financial reporting, we estimate the annual tax rate based on projected pre-tax income (loss) for the full year and record a quarterly income tax provision (benefit) in accordance with accounting guidance for income taxes. As the year progresses, we refine the estimate of the year's pre-tax income (loss) 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.

Our effective tax rate on loss before income taxes was 19.0% and 14.5% for the three months ended June 30, 2017 and 2016, respectively, and 22.4% and 15.1% for the six months ended June 30, 2017 and 2016, respectively. The higher rate is due primarily to a change in jurisdictional mix. 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 June 30, 2017, there were no significant changes to our unrecognized tax benefits as reported in our audited financial statements for the year ended December 31, 2016.

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Note 15—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 June 30, 2017 and December 31, 2016. 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.

We are conducting an internal investigation of the operations of certain of our foreign subsidiaries in West Africa including possible violations of the U.S. Foreign Corrupt Practices Act, our policies and other applicable laws. In June 2016, we voluntarily disclosed the existence of our extensive internal review to the SEC, the United States Department of Justice and other governmental entities. It is our intent to fully cooperate with these agencies and any other applicable authorities in connection with any further investigation that may be conducted in connection with this matter. While our review has not indicated that there has been any material impact on our previously filed financial statements, we have continued to collect information and cooperate with the authorities, but at this time are unable to predict the ultimate resolution of these matters with these agencies. In addition, during the course of the investigation, we discovered historical business transactions (and bids to enter into business transactions) in certain countries that may have been subject to U.S. and other international sanctions. We have disclosed this information to various governmental entities (including those involved in our ongoing investigation), but at this time are unable to predict the ultimate resolution of these matters with these agencies, including any financial impact to us.

Note 16—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 CODM in deciding how to allocate resources and assess performance. We are comprised of four reportable segments: International Services, U.S. Services, Tubular Sales and Blackhawk.

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 the active onshore oil and gas drilling regions in the U.S., including the Permian Basin, Eagle Ford Shale, Haynesville Shale, Marcellus Shale, DJ Basin 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 and sells large OD pipe originally manufactured by various pipe mills. 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.

The Blackhawk segment provides well construction and well intervention rental equipment, services and products, in addition to cementing tool expertise, in the U.S. and Mexican Gulf of Mexico, onshore U.S. and other select international locations.

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Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest income, net, depreciation and amortization, income tax benefit or expense, asset impairments, gain or loss on sale of assets, foreign currency gain or loss, equity-based compensation, unrealized and realized gain or loss, other non-cash adjustments and other 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), income tax, foreign currency exchange rates and other charges and credits. 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 presented in accordance with GAAP. Previously reported Adjusted EBITDA for the three and six months ended June 30, 2016 has been adjusted for investigation-related matters by $1.4 million and $3.3 million, respectively, as management believes removing the effect of these items allows for better comparability across periods.

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

The following table presents a reconciliation of Segment Adjusted EBITDA to net loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Segment Adjusted EBITDA:				
International Services	$9,022	$(4,159)	$14,308	$27,220
U.S. Services	(9,238)	(9,753)	(16,453)	(7,023)
Tubular Sales	815	1,624	3,069	1,178
Blackhawk	2,965	—	4,176	—
	3,564	(12,288)	5,100	21,375
Interest income, net	753	198	1,151	404
Income tax benefit	6,076	7,705	15,194	8,511
Depreciation and amortization	(30,951)	(28,283)	(62,050)	(57,733)
Gain (loss) on sale of assets	(210)	279	1,262	1,049
Foreign currency gain (loss)	599	(4,170)	1,345	(4,211)
Charges and credits [(1)]	(5,781)	(8,728)	(14,615)	(17,090)
Net loss	$(25,950)	$(45,287)	$(52,613)	$(47,695)

(1) Comprised of Equity-based compensation expense (for the three months ended June 30, 2017 and 2016: $3,415 and $4,320, respectively, and for the six months ended June 30, 2017 and 2016: $9,116 and $8,528, respectively), Mergers and acquisition expense (for the three months ended June 30, 2017 and 2016: $10 and none, respectively, and for the six months ended June 30, 2017 and 2016: $459 and none, respectively), Severance and other charges (for the three months ended June 30, 2017 and 2016: $(299) and $3,718, respectively, and for the six months ended June 30, 2017 and 2016: $738 and $4,324, respectively), Unrealized and realized gains (losses) (for the three months ended June 30, 2017 and 2016: $(1,088) and $695, respectively, and for the six months ended June 30, 2017 and 2016: $(1,696) and $(963), respectively) and Investigation-related matters (for the three months ended June 30, 2017 and 2016: $1,567 and $1,385, respectively, and for the six months ended June 30, 2017 and 2016: $2,606 and $3,275, respectively).

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables set forth certain financial information with respect to our reportable segments (in thousands):

	International Services	U.S. Services	Tubular Sales	Blackhawk	Eliminations	Total
Three Months Ended June 30, 2017						
Revenue from external customers	$ 53,499	$ 29,905	$ 16,141	$ 18,114	$ —	$ 117,659
Inter-segment revenue	12	4,543	3,564	72	(8,191)	—
Operating income (loss)	(6,980)	(24,292)	805	(3,499)	—	(33,966)
Adjusted EBITDA	9,022	(9,238)	815	2,965	—	*
Three Months Ended June 30, 2016						
Revenue from external customers	$ 57,350	$ 37,118	$ 26,478	$ —	$ —	$ 120,946
Inter-segment revenue	29	3,940	4,351	—	(8,320)	—
Operating income (loss)	(22,430)	(28,649)	401	—	—	(50,678)
Adjusted EBITDA	(4,159)	(9,753)	1,624	—	—	*
Six Months Ended June 30, 2017						
Revenue from external customers	$ 100,109	$ 60,871	$ 33,086	$ 34,324	$ —	$ 228,390
Inter-segment revenue	15	8,828	7,239	72	(16,154)	—
Operating income (loss)	(16,493)	(47,639)	3,185	(9,629)	—	(70,576)
Adjusted EBITDA	14,308	(16,453)	3,069	4,176	—	*
Six Months Ended June 30, 2016						
Revenue from external customers	$ 140,412	$ 85,898	$ 48,122	$ —	$ —	$ 274,432
Inter-segment revenue	45	8,050	10,017	—	(18,112)	—
Operating loss	(8,137)	(44,307)	(1,116)	—	—	(53,560)
Adjusted EBITDA	27,220	(7,023)	1,178	—	—	*

* Non-GAAP financial measure not disclosed.

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;
- further or sustained declines in oil and gas prices, including those resulting from weak global demand;
- the timing, magnitude, probability and/or sustainability of any oil and gas price recovery;
- 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, 2016, filed with the SEC on February 24, 2017 (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. All such forward-looking statements in this Form 10-Q are expressly qualified in their entirety by the cautionary statements in this section.

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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 condensed 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, tubular fabrication and specialty well construction and well intervention solutions 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 four 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 the active onshore oil and gas drilling regions in the U.S., including the Permian Basin, Eagle Ford Shale, Haynesville Shale, Marcellus Shale, DJ Basin and Utica Shale.

- Tubular Sales. We design, manufacture and distribute large OD pipe, connectors and casing attachments and sell large OD pipe originally manufactured by various pipe mills. 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.

- Blackhawk. We provide well construction and well intervention rental equipment, services and products, in addition to cementing tool expertise, in the U.S. and Mexican Gulf of Mexico, onshore U.S. and other select international locations.

Market Outlook

The market for our products and services continues to be challenged by depressed oil and gas commodity prices and reduced customer spending on offshore exploration and development projects. Despite some stabilization in commodity prices and increases in U.S. onshore activity and profitability, commodity prices remain below levels necessary for meaningful increases in offshore activity, particularly in the markets of West Africa and the U.S. Gulf of Mexico. For the remainder of 2017, we expect to see further deterioration of pricing and activity in the U.S. Gulf of Mexico and, consequently, our Tubular Sales business segment. International markets are beginning to show signs of stabilization and the potential for reaching an activity bottom in the next twelve months. We expect to see growth in our Blackhawk segment both in the U.S. onshore and in select international markets during the year as we expand its operational footprint. In order to offset some of the declines in activity and pricing, we continue to look for ways to improve our operational efficiency and grow share in markets in which we have historically been underrepresented, including international land and shelf opportunities. We also continue to evaluate potential acquisitions to broaden our well construction offering and position the company for revenue growth in a market recovery.

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 net income (loss) before interest income, net, depreciation and amortization, income tax benefit or expense, asset impairments, gain or loss on sale of assets, foreign currency gain or loss, equity-based compensation, unrealized gain or loss, other non-cash adjustments and other 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), items outside the control of our management team (such as income tax and foreign currency exchange rates) and other charges outside the normal course of business. Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools and should not be considered as an alternative to net income (loss), operating income (loss), cash flow from operating activities or any other measure of financial performance presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"). Previously reported Adjusted EBITDA for the three and six months ended June 30, 2016 has been adjusted for investigation-related matters by $1.4 million and $3.3 million, respectively, as management believes removing the effect of these items allows for better comparability across periods.

The following table presents a reconciliation of net loss 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	$(25,950)	$(45,287)	$(52,613)	$(47,695)
Interest income, net	(753)	(198)	(1,151)	(404)
Depreciation and amortization	30,951	28,283	62,050	57,733
Income tax benefit	(6,076)	(7,705)	(15,194)	(8,511)
(Gain) loss on sale of assets	210	(279)	(1,262)	(1,049)
Foreign currency (gain) loss	(599)	4,170	(1,345)	4,211
Charges and credits [1]	5,781	8,728	14,615	17,090
Adjusted EBITDA	$3,564	$(12,288)	$5,100	$21,375
Adjusted EBITDA margin	3.0 %	(10.2)%	2.2 %	7.8 %

(1) Comprised of Equity-based compensation expense (for the three months ended June 30, 2017 and 2016: $3,415 and $4,320, respectively, and for the six months ended June 30, 2017 and 2016: $9,116 and $8,528, respectively), Mergers and acquisition expense (for the three months ended June 30, 2017 and 2016: $10 and none, respectively, and for the six months ended June 30, 2017 and 2016: $459 and none, respectively), Severance and other charges ((for the three months ended June 30, 2017 and 2016: $(299) and $3,718, respectively, and for the six months ended June 30, 2017 and 2016: $738 and $4,324, respectively), Unrealized and realized (gains) losses (for the three months ended June 30, 2017 and 2016: $1,088 and $(695), respectively, and for the six months ended June 30, 2017 and 2016: $1,696 and $963, respectively) and Investigation-related matters (for the three months ended June 30, 2017 and 2016: $1,567 and $1,385, respectively, and for the six months ended June 30, 2017 and 2016: $2,606 and $3,275, respectively).

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 customers have safety standards we must satisfy before we can perform services. As a result, we continually monitor and improve our safety performance through the evaluation of safety observations, job and customer surveys, and safety data. The primary measure for our safety performance is the tracking of the Total Recordable Incident Rate in addition to the Lost Time Incident Rate, 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)			
Revenues:				
Equipment rentals and services	$93,533	$95,177	$179,855	$226,434
Products	24,126	25,769	48,535	47,998
Total revenue	117,659	120,946	228,390	274,432
Operating expenses:				
Cost of revenues, exclusive of depreciation and amortization				
Equipment rentals and services [1]	60,777	64,309	117,884	132,658
Products [1]	17,567	19,926	34,412	35,417
General and administrative expenses [1]	42,419	55,667	85,144	98,909
Depreciation and amortization	30,951	28,283	62,050	57,733
Severance and other charges	(299)	3,718	738	4,324
(Gain) loss on sale of assets	210	(279)	(1,262)	(1,049)
Operating loss	(33,966)	(50,678)	(70,576)	(53,560)
Other income (expense):				
Other income, net	598	1,658	732	1,161
Interest income, net	753	198	1,151	404
Mergers and acquisition expense	(10)	—	(459)	—
Foreign currency gain (loss)	599	(4,170)	1,345	(4,211)
Total other income (expense)	1,940	(2,314)	2,769	(2,646)
Loss before income tax benefit	(32,026)	(52,992)	(67,807)	(56,206)
Income tax benefit	(6,076)	(7,705)	(15,194)	(8,511)
Net loss	(25,950)	(45,287)	(52,613)	(47,695)
Less: Net loss attributable to noncontrolling interest	—	(13,889)	—	(15,525)
Net loss attributable to Frank's International N.V.	$(25,950)	$(31,398)	$(52,613)	$(32,170)

(1) For the three months ended June 30, 2016, $11,745 and $2,898 have been reclassified from general and administrative expenses to equipment rentals and services and products, respectively, and $24,293 and $6,060, respectively, for the six months ended June 30, 2016. See Note 1 - Basis of Presentation in the Notes to Unaudited Condensed Consolidated Financial Statements.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Revenues. Revenues from external customers, excluding intersegment sales, for the three months ended June 30, 2017 decreased by $3.3 million, or 2.7%, to $117.7 million from $121.0 million for the three months ended June 30, 2016. The revenue decrease was primarily attributable to lower revenues in the majority of our segments due to declining activity as depressed oil and gas prices resulted in reduced rig count, downward pricing pressures, rig cancellations and delays as well as deferred work scopes in the International and offshore U.S. services regions while revenues for Tubular Sales decreased due to lower international demand and decreased deepwater fabrication revenue. The decrease in total revenues was partially offset by revenues from our recently acquired Blackhawk segment of $18.1

million. 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 June 30, 2017 decreased by $5.9 million, or 7.0%, to $78.3 million from $84.2 million for the three months ended June 30, 2016. Our cost of revenues decline was consistent with our lower revenue and cost cutting initiative.

General and administrative expenses. General and administrative expenses for the three months ended June 30, 2017 decreased by $13.2 million, or 23.8%, to $42.4 million from $55.6 million for the three months ended June 30, 2016 primarily due to bad debt expense recognized in 2016 related to difficulty in collecting certain receivables in Venezuela.

Severance and other charges. Severance and other charges for the three months ended June 30, 2017 decreased by $4.0 million, or 108.0%, to $(0.3) million from $3.7 million for the three months ended June 30, 2016 due to higher workforce reductions in the second quarter of 2016 compared to 2017 as we took steps to adjust our workforce to meet the depressed demand in the industry.

Foreign currency gain (loss). Foreign currency gain for the three months ended June 30, 2017 was $0.6 million as compared to a foreign currency loss for the three months ended June 30, 2016 of $4.2 million. The change in foreign currency gain (loss) year-over-year was primarily driven by a devaluation of the Nigerian Naira during the three months ended June 30, 2016.

Income tax benefit. Income tax benefit for the three months ended June 30, 2017 decreased by $1.6 million, or 21.1%, to $6.1 million from $7.7 million for the three months ended June 30, 2016, primarily as a result of a decrease in taxable loss and changes in jurisdictional mix. 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.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenues. Revenues from external customers, excluding intersegment sales, for the six months ended June 30, 2017 decreased by $46.0 million, or 16.8%, to $228.4 million from $274.4 million for the six months ended June 30, 2016. The decrease was primarily attributable to lower revenues in the majority of our segments due to declining activity as depressed oil and gas prices resulted in reduced rig count, downward pricing pressures, rig cancellations and delays as well as deferred work scopes in the International and offshore U.S. Services regions while revenues for Tubular Sales decreased due to lower international demand and decreased deepwater fabrication revenue. The decrease in total revenues was partially offset by revenues from our recently acquired Blackhawk segment of $34.3 million. 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 six months ended June 30, 2017 decreased by $15.8 million, or 9.4%, to $152.3 million from $168.1 million for the six months ended June 30, 2016. Our cost of revenues decline was consistent with our lower revenue and cost cutting initiative.

General and administrative expenses. General and administrative expenses for the six months ended June 30, 2017 decreased by $13.8 million, or 13.9%, to $85.1 million from $98.9 million for the six months ended June 30, 2016 primarily due to bad debt expense recognized in 2016 related to difficulty in collecting certain receivables in Venezuela.

Severance and other charges. Severance and other charges for the six months ended June 30, 2017 decreased by $3.6 million, or 82.9%, to $0.7 million from $4.3 million for the six months ended June 30, 2016 as a result of a higher workforce reduction in the first half of 2016 compared to 2017 as we took steps to adjust our workforce to meet the depressed demand in the industry.

Foreign currency gain (loss). Foreign currency gain for the six months ended June 30, 2017 was $1.3 million as compared to a foreign currency loss for the six months ended June 30, 2016 of $4.2 million. The change in foreign currency gain (loss) year-over-year was primarily driven by a devaluation of the Nigerian Naira during the six months ended June 30, 2016.

Income tax benefit. Income tax benefit for the six months ended June 30, 2017 increased by $6.7 million to $15.2 million from $8.5 million for the six months ended June 30, 2016 primarily as a result of an increase in taxable loss and changes in jurisdictional mix. 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

The following table presents revenues and Adjusted EBITDA by segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
International Services	$53,499	$57,350	$100,109	$140,412
U.S. Services	29,905	37,118	60,871	85,898
Tubular Sales	16,141	26,478	33,086	48,122
Blackhawk	18,114	—	34,324	—
Total	$117,659	$120,946	$228,390	$274,432
Segment Adjusted EBITDA [(1)]:				
International Services	$9,022	$(4,159)	$14,308	$27,220
U.S. Services	(9,238)	(9,753)	(16,453)	(7,023)
Tubular Sales	815	1,624	3,069	1,178
Blackhawk	2,965	—	4,176	—
	$3,564	$(12,288)	$5,100	$21,375

(1) 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. (For a reconciliation of our Adjusted EBITDA, see "Adjusted EBITDA and Adjusted EBITDA Margin").

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

International Services

Revenue for the International Services segment decreased by $3.9 million for the three months ended June 30, 2017, or 6.7%, compared to the same period in 2016, primarily due to depressed oil and gas prices which have challenged the economics of our customers' development projects, particularly in Europe and Africa where complex deepwater wells had previously been large revenue drivers. Contract terminations, delays and deferments in commencement of new projects and an extremely competitive price environment have been the key drivers of the decline.

Adjusted EBITDA for the International Services segment increased by $13.2 million for the three months ended June 30, 2017, or 316.9%, compared to the same period in 2016, primarily driven by the absence of non-recurring charges recognized in 2016 of $9.7 million for bad debt primarily related to difficulty in collecting certain receivables in Venezuela and $2.5 million of additional payroll related costs for Nigeria and Mexico, as well as lower expenses in 2017 due to reduced activity and cost-cutting measures.

U.S. Services

Revenue for the U.S. Services segment decreased by $7.2 million for the three months ended June 30, 2017, or 19.4%, compared to the same period in 2016. Onshore services revenue increased by $5.1 million as a result of improved activity from increased rig counts. The offshore business saw a decrease in revenue of $12.2 million as a result of overall lower activity due to rig cancellations and delays in the Gulf of Mexico, coupled with downward pricing pressures.

Adjusted EBITDA for the U.S. Services segment increased by $0.5 million for the three months ended June 30, 2017, or 5.3%, compared to the same period in 2016 due to an increase in onshore services activity, partially offset by lower activity in our offshore services.

Tubular Sales

Revenue for the Tubular Sales segment decreased by $10.3 million for the three months ended June 30, 2017, or 39.0%, compared to the same period in 2016 primarily due to lower deepwater activity in the Gulf of Mexico.

Adjusted EBITDA for the Tubular Sales segment decreased by $0.8 million for the three months ended June 30, 2017, or 49.8%, compared to the same period in 2016 primarily due to the decrease in revenue, which was partially offset by lower expenses due to reduced activity and cost-cutting measures.

Blackhawk

The Blackhawk segment is comprised solely of the assets we acquired on November 1, 2016. Revenues and Adjusted EBITDA for the segment were $18.1 million and $3.0 million for the three months ended June 30, 2017. See Note 3 - Acquisition and Divestiture in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information on our Blackhawk acquisition.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

International Services

Revenue for the International Services segment decreased by $40.3 million for the six months ended June 30, 2017, or 28.7%, compared to the same period in 2016, primarily due to depressed oil and gas prices which have challenged the economics of our customers' development projects, particularly in Europe and Africa where complex deepwater wells had previously been large revenue drivers. Contract terminations, delays and deferments in commencement of new projects and an extremely competitive price environment have been the key drivers of the decline.

Adjusted EBITDA for the International Services segment decreased by $12.9 million for the six months ended June 30, 2017, or 47.4%, compared to the same period in 2016 primarily due to the decrease in revenue, which was partially offset by the absence of non-recurring charges recognized in 2016 of $9.7 million for bad debt primarily related to difficulty in collecting certain receivables in Venezuela and $2.5 million of additional payroll related costs for Nigeria and Mexico, as well as lower expenses in 2017 due to reduced activity and cost-cutting measures.

U.S. Services

Revenue for the U.S. Services segment decreased by $25.0 million for the six months ended June 30, 2017, or 29.1%, compared to the same period in 2016. Onshore services revenue increased by $5.7 million as a result of improved activity from increased rig counts. The offshore business saw a decrease in revenue of $30.6 million as a result of overall lower activity due to rig cancellations and delays in the Gulf of Mexico, coupled with downward pricing pressures.

Adjusted EBITDA for the U.S. Services segment decreased by $9.4 million for the six months ended June 30, 2017 compared to the same period in 2016 primarily due to lower activity in our offshore services, partially offset by an increase in onshore services activity.

Tubular Sales

Revenue for the Tubular Sales segment decreased by $15.0 million for the six months ended June 30, 2017, or 31.2%, compared to the same period in 2016 primarily as a result of lower deepwater activity in the Gulf of Mexico.

Adjusted EBITDA for the Tubular Sales segment increased by $1.9 million for the six months ended June 30, 2017 compared to the same period in 2016 as it was positively impacted by cost-cutting measures undertaken during 2016.

Blackhawk

The Blackhawk segment is comprised solely of the assets we acquired on November 1, 2016. Revenues and Adjusted EBITDA for the segment were $34.3 million and $4.2 million for the six months ended June 30, 2017. See Note 3 - Acquisition and Divestiture in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information on our Blackhawk acquisition.

Liquidity and Capital Resources

Liquidity

At June 30, 2017, we had cash and cash equivalents of $275.0 million and debt of $0.1 million. Our primary uses of capital have been for organic growth capital expenditures. 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 $40.0 million for 2017. We expect to spend approximately $22.0 million for the purchase and manufacture of equipment and $18.0 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 six months ended June 30, 2017 and 2016, capital expenditures were $15.2 million and $18.4 million, respectively, all of which were funded from internally generated funds. We believe our cash on hand should be sufficient to fund our capital expenditure and liquidity requirements for the remainder of 2017.

We paid dividends on our common stock of $33.4 million, or $0.15 per common share during the six months ended June 30, 2017. 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.

Credit Facility

We have a $100.0 million revolving credit facility with certain financial institutions, including up to $20.0 million in 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 to $150.0 million. At June 30, 2017 and December 31, 2016, we had $4.4 million and $3.7 million, respectively, in letters of credit outstanding and no outstanding borrowings under this facility.

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 (i) the prime rate as published in the Wall Street Journal, (ii) the Federal Funds Effective Rate plus 0.50% or (iii) 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 the 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.

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.

On April 28, 2017, the Company obtained a limited waiver under its Revolving Credit Agreement, dated August 14, 2013, by and among FICV (as borrower), Amegy Bank National Association (as administrative agent), Capital One, National Association (as syndication agent) and the other lenders party thereto (the "Credit Agreement"), of its leverage ratio and interest coverage ratio for the fiscal quarters ending March 31, 2017 and June 30, 2017 (the “Waiver”) in order to not be in default for first quarter of 2017 testing. The Company agreed to comply with the following conditions during the period from the effective date of the Waiver until the delivery of its compliance certificate with respect to the fiscal quarter ending September 30, 2017: (i) maintain no less than $250.0 million in liquidity; (ii) abide by certain restrictions regarding the issuance of senior unsecured debt; and (iii) pay interest and commitment fees based on the highest “Applicable Margin” (as defined in the Credit Agreement) level. In connection with the Waiver, the Company paid a waiver fee to each lender that executed the Waiver equal to five basis points of the respective lender’s commitment under the Credit Agreement.

Citibank Credit Facility

In 2016, we entered into a three-year credit facility with Citibank N.A., UAE Branch in the amount of $6.0 million for issuance of standby letters of credit and guarantees. The credit facility also allows for open ended guarantees. Outstanding amounts under the credit facility bear interest of 1.25% per annum for amounts outstanding up to one year. Amounts outstanding more than one year bear interest at 1.5% per annum. As of June 30, 2017 and December 31, 2016, we had $3.0 million and $2.2 million in letters of credit outstanding.

Tax Receivable Agreement

We entered into a tax receivable agreement (the “TRA”) with Frank's International C.V. ("FICV") and Mosing Holdings, LLC ("Mosing Holdings") in connection with our initial public offering ("IPO"). The TRA generally provides for the payment by us to Mosing Holdings 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 the conversion of shares of Preferred Stock into shares of our common stock on August 26, 2016 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 execute our sole right 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 Mosing Holdings 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 Mosing Holdings. In most circumstances, these payments will be associated with the actual cash savings that we recognize in connection with the conversion of Preferred Stock, which would reduce the actual tax benefit to us. If we were to elect to exercise our sole right 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 12 - Related Party Transactions in the Notes to Unaudited Condensed 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):

	Six Months Ended June 30,	
	2017	2016
Operating activities	$(7,467)	$58,037
Investing activities	(1,659)	(17,252)
Financing activities	(34,563)	(59,997)
	(43,689)	(19,212)
Effect of exchange rate changes on cash	(887)	(1,776)
Net decrease in cash and cash equivalents	$(44,576)	$(20,988)

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 condensed consolidated statements of cash flows may not reflect the changes in corresponding accounts on the condensed consolidated balance sheets.

Operating Activities

Cash flow used in operating activities was $7.5 million for the six months ended June 30, 2017 compared to cash flow provided by operating activities of $58.0 million for the same period in 2016. The decrease in cash flow in 2017 was due to unfavorable changes in working capital, primarily in accounts receivable for the six months ended June 30, 2017 as compared to the same period in 2016 as a result of lower activity due to depressed oil and gas prices.

Investing Activities

Cash flow used in investing activities was $1.7 million for the six months ended June 30, 2017 compared to $17.3 million in the same period in 2016. The decrease in net cash used in investing activities was primarily related to a decrease in purchases of property, plant and equipment and an increase in the proceeds from the sale of investments during the six months ended June 30, 2017.

Financing Activities

Cash flow used in financing activities was $34.6 million for the six months ended June 30, 2017 compared to $60.0 million in the same period in 2016. The decrease in cash flow used in financing activities was primarily due to lower dividend payments and the absence of a payment to our noncontrolling interest of $8.0 million made in the six months ended June 30, 2016.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements with the exception of operating leases.

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 - Basis of Presentation in the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of accounting standards we recently adopted or will be required to adopt.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our 2016 Annual Report on Form 10-K. Except for the change below, our exposure to market risk has not changed materially since December 31, 2016.

We account for our derivative activities under the accounting guidance for derivatives and hedging. Derivatives are recognized on the condensed consolidated balance sheet at fair value. Although the derivative contracts will serve as an economic hedge of the cash flow of our currency exchange risk exposure, they are not formally designated as hedge contracts for hedge accounting treatment. Accordingly, any changes in the fair value of the derivative instruments during a period will be included in our condensed consolidated statements of operations. Based on the derivative contracts that were in place as of June 30, 2017, a 10% weakening of the U.S. dollar as compared to the Canadian dollar, Euro, Norwegian krone, and Pound sterling would result in a $3.5 million decrease in the market value of our forward contracts. Please see Item 1. Financial Statements - Note 11 - Derivatives for additional information regarding our foreign currency derivative contracts outstanding in U.S. dollars as of June 30, 2017.

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 June 30, 2017 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 June 30, 2017, 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

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 June 30, 2017 and December 31, 2016. 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. Please see Note 15 - Commitments and Contingencies in the Notes to Unaudited Condensed Consolidated Financial Statements.

We are conducting an internal investigation of the operations of certain of our foreign subsidiaries in West Africa including possible violations of the U.S. Foreign Corrupt Practices Act, our policies and other applicable laws. In June 2016, we voluntarily disclosed the existence of our extensive internal review to the U.S. Securities and Exchange Commission, the United States Department of Justice and other governmental entities. It is our intent to fully cooperate with these agencies and any other applicable authorities in connection with any further investigation that may be conducted in connection with this matter. While our review has not indicated that there has been any material impact on our previously filed financial statements, we have continued to collect information and cooperate with the authorities, but at this time are unable to predict the ultimate resolution of these matters with these agencies. In addition, during the course of the investigation, we discovered historical business transactions (and bids to enter into business transactions) in certain countries that may have been subject to U.S. and other international sanctions. We have disclosed this information to various governmental entities (including those involved in our ongoing investigation), but at this time are unable to predict the ultimate resolution of these matters with these agencies, including any financial impact to us. Our board and management are committed to continuously enhancing our internal controls that support improved compliance and transparency throughout our global operations.

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, 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.

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: August 7, 2017 By: /s/ Kyle McClure
Kyle McClure
Senior 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 19, 2016 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-36053), filed on May 25, 2017).
*†10.1	Indemnification Agreement dated as of March 2, 2017, by and between Frank's International N.V. and Kyle McClure.
*†10.2	Indemnification Agreement dated as of May 19, 2017, by and between Frank's International N.V. and Robert W. Drummond.
*†10.3	Offer Letter for Kyle McClure effective as of June 5, 2017.
*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.

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