

FRANK'S INTERNATIONAL N.V.

Form 10-Q

August 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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 No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 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

As of July 31, 2018, there were 224,186,545 shares of common stock, €0.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FRANK'S INTERNATIONAL N.V.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 178,764	\$ 213,015
Short-term investments	66,414	81,021
Accounts receivables, net	147,642	127,210
Inventories, net	69,417	76,420
Assets held for sale	7,441	3,792
Other current assets	8,566	10,437
Total current assets	478,244	511,895
Property, plant and equipment, net	422,034	469,646
Goodwill	211,040	211,040
Intangible assets, net	29,490	33,895
Other assets	34,172	35,293
Total assets	\$ 1,174,980	\$ 1,261,769
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 1,800	\$ 4,721
Accounts payable and accrued liabilities	92,057	108,885
Deferred revenue	47	4,703
Total current liabilities	93,904	118,309
Deferred tax liabilities	223	229
Other non-current liabilities	28,271	27,330
Total liabilities	122,398	145,868
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, €0.01 par value, 798,096,000 shares authorized, 225,174,579 and 224,228,071 shares issued and 224,038,183 and 223,289,389 shares outstanding	2,825	2,814
Additional paid-in capital	1,056,592	1,050,873
Retained earnings	39,757	106,923
Accumulated other comprehensive loss	(31,638)	(30,972)
Treasury stock (at cost), 1,136,396 and 938,682 shares	(14,954)	(13,737)
Total stockholders' equity	1,052,582	1,115,901
Total liabilities and equity	\$ 1,174,980	\$ 1,261,769

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

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,	
	2018	2017	2018	2017
Revenues:				
Services	\$105,746	\$93,533	\$197,094	\$179,855
Products	26,339	24,126	50,560	48,535
Total revenue	132,085	117,659	247,654	228,390
Operating expenses:				
Cost of revenues, exclusive of depreciation and amortization				
Services	65,015	55,317	128,225	107,000
Products	20,306	23,027	39,053	45,296
General and administrative expenses	40,352	42,419	79,082	85,144
Depreciation and amortization	28,862	30,951	57,162	62,050
Severance and other charges	1,115	(299)	2,369	738
(Gain) loss on disposal of assets	217	210	452	(1,262)
Operating loss	(23,782)	(33,966)	(58,689)	(70,576)
Other income (expense):				
Tax receivable agreement ("TRA") related adjustments	(1,171)	—	(4,112)	—
Other income, net	2,033	598	1,593	732
Interest income, net	609	753	1,553	1,151
Mergers and acquisition expense	—	(10)	(58)	(459)
Foreign currency gain (loss)	(4,267)	599	(2,563)	1,345
Total other income (expense)	(2,796)	1,940	(3,587)	2,769
Loss before income taxes	(26,578)	(32,026)	(62,276)	(67,807)
Income tax expense (benefit)	(815)	(6,076)	5,560	(15,194)
Net loss	\$(25,763)	\$(25,950)	\$(67,836)	\$(52,613)
Dividends per common share	\$—	\$0.075	\$—	\$0.15
Loss per common share:				
Basic and diluted	\$(0.12)	\$(0.12)	\$(0.30)	\$(0.24)
Weighted average common shares outstanding:				
Basic and diluted	223,981	222,914	223,775	222,740

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (25,763)	\$ (25,950)	\$ (67,836)	\$ (52,613)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(835)	838	(748)	1,321
Marketable securities:				
Unrealized gain (loss) on marketable securities	167	77	82	(4)
Reclassification to net income	—	—	—	(395)
Deferred tax asset / liability change	—	—	—	158
Unrealized gain (loss) on marketable securities, net of tax	167	77	82	(241)
Total other comprehensive income (loss)	(668)	915	(666)	1,080
Comprehensive loss	\$ (26,431)	\$ (25,035)	\$ (68,502)	\$ (51,533)

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

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

	Six Months Ended June 30, 2017						
	Common Shares	Stock Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' 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
Change in marketable securities	—	—	—	—	(241)	—	(241)
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 share-based awards	685	7	(7)	—	—	—	—
Common shares issued for employee stock purchase plan ("ESPP")	50	1	525	—	—	—	526
Treasury shares issued upon vesting of share-based awards	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

	Six Months Ended June 30, 2018						
	Common Shares	Stock Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balances at December 31, 2017	223,289	\$2,814	\$1,050,873	\$106,923	\$ (30,972)	\$(13,737)	\$1,115,901
Cumulative effect of accounting change	—	—	—	670	—	—	670
Net loss	—	—	—	(67,836)	—	—	(67,836)
Foreign currency translation adjustments	—	—	—	—	(748)	—	(748)
Change in marketable securities	—	—	—	—	82	—	82
Equity-based compensation expense	—	—	5,168	—	—	—	5,168
Common shares issued upon vesting of share-based awards	848	10	(10)	—	—	—	—
Common shares issued for ESPP	99	1	561	—	—	—	562
Treasury shares withheld	(198)	—	—	—	—	(1,217)	(1,217)
Balances at June 30, 2018	224,038	\$2,825	\$1,056,592	\$39,757	\$ (31,638)	\$(14,954)	\$1,052,582

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
	2018	
Cash flows from operating activities		
Net loss	\$ (67,836)	\$ (52,613)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	57,162	62,050
Equity-based compensation expense	5,168	9,116
Amortization of deferred financing costs	—	246
Deferred tax benefit	—	(20,320)
Provision for bad debts	41	371
(Gain) loss on disposal of assets	452	(1,262)
Changes in fair value of investments	(417)	(1,474)
Realized loss on sale of investment	—	478
Unrealized (gain) loss on derivatives	(765)	730
Other	—	(1,876)
Changes in operating assets and liabilities		
Accounts receivable	(21,712)	(6,697)
Inventories	(1,461)	5,627
Other current assets	2,042	3,102
Other assets	324	1,745
Accounts payable and accrued liabilities	(10,192)	4,400
Deferred revenue	(424)	(7,707)
Other non-current liabilities	(244)	(3,383)
Net cash used in operating activities	(37,862)	(7,467)
Cash flows from investing activities		
	(11,265)	(15,240)

Purchases of property, plant and equipment and intangibles				
Proceeds from sale of assets	1,755		2,200	
Proceeds from sale of investments	56,946		11,499	
Purchase of investments	(42,279)	(118)
Net cash (used in) provided by investing activities	5,157		(1,659)
Cash flows from financing activities				
Repayments of borrowings	(2,921)	(154)
Dividends paid on common stock	—		(33,426)
Net treasury shares withheld for taxes	(1,217)	(2,249)
Proceeds from the issuance of ESPP shares	562		1,266	
Deferred financing costs	(48)	—	
Net cash used in financing activities	(3,624)	(34,563)
Effect of exchange rate changes on cash	2,078		(887)
Net decrease in cash and cash equivalents	(34,251)	(44,576)
Cash and cash equivalents at beginning of period	213,015		319,526	
Cash and cash equivalents at end of period	\$ 178,764		\$ 274,950	
Non-cash transactions:				
Change in accounts payable and accrued liabilities related to capital expenditures	\$ (3,460)	\$ 2,901	
Net transfers from inventory to property, plant and equipment	(2,028)	(1,358)

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 and products 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, 2018 and 2017 include the activities of Frank's International C.V. ("FICV"), Blackhawk Group Holdings, LLC ("Blackhawk") and their 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, 2017 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, 2017, which are included in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 27, 2018 ("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

Certain prior-period amounts have been reclassified to conform to the current period's presentation. These reclassifications had no impact on our net income (loss), working capital, cash flows or total equity previously reported.

Our financial statements for the three and six months ended June 30, 2017 have been revised to decrease "cost of revenues, services" and increase "cost of revenues, products" by the following immaterial amounts in order to correct a misclassification associated with Blackhawk product costs. While the revisions do impact two financial statement line items, the revisions had no impact on our net income (loss), working capital, cash flows or total equity previously reported (in thousands):

Three	Six
Months	Months
Ended	Ended
June 30,	June 30,
2017	2017

Cost of revenues, exclusive of depreciation and amortization		
Services, as previously reported	\$60,777	\$117,884
Blackhawk adjustment	(5,460)	(10,884)
Services, as revised	\$55,317	\$107,000
Products, as previously reported	\$17,567	\$34,412
Blackhawk adjustment	5,460	10,884
Products, as revised	\$23,027	\$45,296

FRANK'S INTERNATIONAL N.V.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements

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

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

In June 2018, the FASB issued new guidance which is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with the accounting for employee share-based compensation. The guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those 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 May 2017, the FASB issued new 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. The amendments in this guidance should be applied prospectively to an award modified on or after the adoption date. We adopted the guidance on January 1, 2018 and the adoption did not have an impact on our consolidated financial statements.

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. We adopted the guidance on January 1, 2018 and the adoption did not have an impact 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 February 2016, the FASB issued new 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 July 2018, the FASB amended the new lease accounting standard in an effort to reduce the burden of adoption. With the adoption of the new amended lease accounting standard, companies have the option of electing to apply the new lease accounting standard either on a retrospective or prospective basis. For public

FRANK'S INTERNATIONAL N.V.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 ASU on our consolidated financial statements and plan to adopt the new lease accounting standard, as amended, on a prospective basis effective January 1, 2019. While we are still evaluating its impact, we anticipate that the adoption of the lease accounting standard will have an impact to the Company's consolidated balance sheets in addition to the disclosures contained in the notes of its 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 revenue 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 two transition methods: (a) a full retrospective adoption in which the standard is applied to all 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. In July 2015, the FASB deferred the effective date to December 15, 2017 for annual periods, and interim reporting periods within those fiscal years, beginning after that date.

We adopted the new revenue standard effective January 1, 2018 using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. Our adjustment related solely to revenues from certain product sales with bill-and-hold arrangements in our Tubular Sales segment. The comparative information has not been restated and continues to be reported under the accounting standards which were in effect for those periods. The impact to revenue of applying the new revenue recognition standard for the three and six months ended June 30, 2018 was immaterial. We expect the impact of the adoption of the new standard to be immaterial to our financial results on an ongoing basis.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of the new revenue standard was as follows (in thousands):

	Balance at December 31, 2017	Impact of Adjustments	Balance at January 1, 2018
Balance Sheet			
Assets			
Inventories, net	\$ 76,420	\$ (3,560)	\$ 72,860
Liabilities			
Deferred revenue	4,703	(4,230)	473
Stockholders' Equity			
Retained earnings	106,923	670	107,593

Note 2—Revenues

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Payment terms on services and products generally range from 30 days to 120 days. Given the short-term nature of our service and product offerings, our contracts do not have a significant financing component and the consideration we receive is generally fixed.

Service revenues are recognized over time as services are performed or rendered. We generally perform services either under direct service purchase orders or master service agreements which are supplemented by individual call-out provisions. For customers contracted under such arrangements, an accrual is recorded in unbilled revenue for revenue earned but not yet invoiced.

FRANK'S INTERNATIONAL N.V.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Revenues on product sales are generally recognized at a point in time when the product has shipped and significant risks of ownership have passed to the customer. The sales arrangements typically do not include a right of return or other similar provisions, nor do they contain any other post-delivery obligations.

Some of our Tubular Sales and Blackhawk segment customers have requested that we store pipe, connectors and other products purchased from us in our facilities. We recognize revenues for these "bill and hold" sales once the following criteria have been met: (1) there is a substantive reason for the arrangement, (2) the product is identified as the customer's asset, (3) the product is ready for delivery to the customer, and (4) we cannot use the product or direct it to another customer.

Practical Expedients

We elected to apply certain practical expedients available under the new revenue standard. We elected to expense cost of obtaining contracts, such as sales commissions, when incurred because the amortization period would have been one year or less due to the length of our contracts. We have also elected not to assess immaterial promises in the context of our contracts as performance obligations and to exclude taxes from the assessment of transaction price in arrangements where taxes are collected by the entity from a customer.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less. Because our contracts with customers are short-term in nature and fall within this exemption, we do not have significant unsatisfied performance obligations as defined by the new revenue standard.

Note 3—Accounts Receivable, net

Accounts receivable at June 30, 2018 and December 31, 2017 were as follows (in thousands):

	June 30, 2018	December 31, 2017
Trade accounts receivable, net of allowance of \$4,050 and \$4,777, respectively	\$92,722	\$83,482
Unbilled revenue	38,996	25,670
Taxes receivable	9,553	11,305
Affiliated ⁽¹⁾	549	716
Other receivables	5,822	6,037
Total accounts receivable, net	\$147,642	\$127,210

⁽¹⁾ Amounts represent expenditures on behalf of non-consolidated affiliates.

Note 4—Inventories, net

Inventories at June 30, 2018 and December 31, 2017 were as follows (in thousands):

	June 30, 2018	December 31, 2017
Pipe and connectors, net of allowance of \$20,466 and \$20,064, respectively	\$ 24,574	\$ 33,620
Finished goods, net of allowance of \$1,490 and \$1,520,	16,823	14,541

respectively

Work in progress	7,478	9,206
Raw materials, components and supplies	20,542	19,053
Total inventories, net	\$ 69,417	\$ 76,420

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

Note 5—Property, Plant and Equipment

The following is a summary of property, plant and equipment at June 30, 2018 and December 31, 2017 (in thousands):

	Estimated Useful Lives in Years	June 30, 2018	December 31, 2017
Land	—	\$ 14,834	\$ 15,314
Land improvements ⁽¹⁾	8-15	15,110	14,594
Buildings and improvements ⁽¹⁾	39	110,092	119,380
Rental machinery and equipment	7	894,279	898,146
Machinery and equipment - other	7	61,603	55,049
Furniture, fixtures and computers	5	24,735	27,259
Automobiles and other vehicles	5	29,675	29,971
Leasehold improvements ⁽¹⁾	7-15, or lease term if shorter	11,903	10,030
Construction in progress - machinery and equipment and land improvements ⁽¹⁾	—	61,920	61,836
		1,224,151	1,231,579
Less: Accumulated depreciation		(802,117)	(761,933)
Total property, plant and equipment, net		\$422,034	\$ 469,646

⁽¹⁾ See Note 11 - Related Party Transactions for additional information.

During the third quarter of 2017, we committed to sell certain of our buildings in the International Services segment and determined those assets met the criteria to be classified as held for sale in our condensed consolidated balance sheet. As a result, we reclassified the buildings, with a net book value of \$4.1 million, from property, plant and equipment to assets held for sale and recognized a \$0.3 million loss. During the first quarter of 2018, we sold one of the buildings classified as held for sale for \$0.8 million and recorded an immaterial loss. During the second quarter of 2018, additional assets with a net book value of \$4.5 million met the criteria to be classified as held for sale and were reclassified from property, plant and equipment to assets held for sale on our condensed consolidated balance sheet.

The following table presents the depreciation and amortization expense associated with each line item for the three and six months ended June 30, 2018 and 2017 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Services	\$24,302	\$26,252	\$47,881	\$52,895
Products	1,131	1,252	2,268	2,561
General and administrative expenses	3,429	3,447	7,013	6,594
Total	\$28,862	\$30,951	\$57,162	\$62,050

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Other Assets

Other assets at June 30, 2018 and December 31, 2017 consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Cash surrender value of life insurance policies ⁽¹⁾	\$30,706	\$30,351
Deposits	2,502	2,564
Other	964	2,378
Total other assets	\$34,172	\$35,293

⁽¹⁾ See Note 9 – Fair Value Measurements for additional information.

Note 7—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2018 and December 31, 2017 consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Accounts payable	\$22,516	\$33,912
Accrued compensation	21,207	25,510
Accrued property and other taxes	14,620	16,908
Accrued severance and other charges	925	1,444
Income taxes	9,410	8,091
Accrued purchase orders and other	23,379	23,020
Total accounts payable and accrued liabilities	\$92,057	\$108,885

Note 8—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, 2018 and December 31, 2017, we had \$2.3 million and \$2.8 million, respectively, in letters of credit outstanding and no outstanding borrowings under the Credit Facility. Our borrowing capacity is equal to 2.5x our trailing 12-month Adjusted EBITDA less letters of credit outstanding under the Credit 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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2.5 to 1.0 and (ii) a ratio of EBITDA to interest expense of not less than 3.0 to 1.0. As of June 30, 2018, we were in compliance with the covenants included in the Credit Agreement.

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.

We are currently negotiating a new credit facility which we expect to be in place on or around the expiration of the existing Credit Facility in August 2018.

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, 2018 and December 31, 2017, we had \$4.9 million and \$2.6 million, respectively, in letters of credit outstanding.

Insurance Notes Payable

In 2017, we entered into three notes to finance our annual insurance premiums totaling \$5.1 million. The notes bear interest at an annual rate of 2.9% with a final maturity date in October 2018. At June 30, 2018 and December 31, 2017, the total outstanding balance was \$1.8 million and \$4.7 million, respectively.

Note 9—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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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A summary of financial assets and liabilities that are measured at fair value on a recurring basis, as of June 30, 2018 and December 31, 2017, 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, 2018				
Assets:				
Derivative financial instruments	\$	—\$ 278	\$	—\$278
Investments:				
Cash surrender value of life insurance policies - deferred compensation plan	—	30,706	—	30,706
Marketable securities - other	54	—	—	54
Liabilities:				
Deferred compensation plan	—	26,158	—	26,158
December 31, 2017				
Assets:				
Investments:				
Cash surrender value of life insurance policies - deferred compensation plan	\$	—\$ 30,351	\$	—\$30,351
Marketable securities - other	113	—	—	