FORUM ENERGY TECHNOLOGIES, INC.
Form 10-Q
August 01, 2018

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

FORM 10-Q

þ 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
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission File Number 001-35504
FORUM ENERGY TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	61-1488595
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

920 Memorial City Way, Suite 1000
Houston, Texas 77024
(Address of principal executive offices)
(281) 949-2500
(Registrant's telephone number, including area code)
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 o
Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 o
Non-accelerated filer o	(Do not check if a smaller reporting company)
Smaller reporting company o	Emerging growth company o

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. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
As of July 31, 2018 there were 108,955,971 common shares outstanding.

Table of Contents

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Forum Energy Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share information)	2018	2017	2018	2017
Revenue	$274,003	$201,115	$524,234	$372,211
Cost of sales	201,334	151,860	384,278	283,977
Gross profit	72,669	49,255	139,956	88,234
Operating expenses				
Selling, general and administrative expenses	71,488	61,895	143,579	122,569
Transaction expenses	59	245	1,395	873
Goodwill and intangible asset impairments	14,477	68,004	14,477	68,004
Loss (gain) on disposal of assets and other	(1,303)	1,635	(1,700)	1,389
Total operating expenses	84,721	131,779	157,751	192,835
Earnings (loss) from equity investment	350	2,568	(613)	4,030
Operating loss	(11,702)	(79,956)	(18,408)	(100,571)
Other expense (income)				
Interest expense	7,861	6,385	15,948	12,965
Foreign exchange and other losses (gains), net	(5,860)	2,602	(2,309)	4,148
Gain on contribution of subsea rentals business	—	—	(33,506)	—
Total other (income) expense, net	2,001	8,987	(19,867)	17,113
Income (loss) before income taxes	(13,703)	(88,943)	1,459	(117,684)
Income tax expense (benefit)	1,646	(11,070)	(11,258)	(24,043)
Net income (loss)	(15,349)	(77,873)	12,717	(93,641)
Weighted average shares outstanding				
Basic	108,714	96,170	108,569	96,016
Diluted	108,714	96,170	110,821	96,016
Earnings (loss) per share				
Basic	$(0.14)	$(0.81)	$0.12	$(0.98)
Diluted	(0.14)	(0.81)	0.11	(0.98)
Other comprehensive income (loss), net of tax:				
Net income (loss)	(15,349)	(77,873)	12,717	(93,641)
Change in foreign currency translation, net of tax of $0	(18,635)	15,325	(12,348)	22,547
Gain (loss) on pension liability	55	(82)	71	(97)
Comprehensive income (loss)	$(33,929)	$(62,630)	$440	$(71,191)

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

Forum Energy Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except share information)	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$39,105	$115,216
Accounts receivable—trade, net	210,925	202,914
Inventories, net	486,200	443,177
Prepaid expenses and other current assets	17,941	19,490
Accrued revenue	1,796	—
Costs and estimated profits in excess of billings	9,488	9,584
Total current assets	765,455	790,381
Property and equipment, net of accumulated depreciation	181,611	197,281
Deferred financing costs, net	2,485	2,900
Intangible assets	399,485	443,064
Goodwill	751,134	755,245
Investment in unconsolidated subsidiary	41,152	—
Deferred income taxes, net	6,690	3,344
Other long-term assets	9,318	3,013
Total assets	$2,157,330	$2,195,228
Liabilities and equity		
Current liabilities		
Current portion of long-term debt	$1,079	$1,156
Accounts payable—trade	153,101	137,684
Accrued liabilities	63,385	66,765
Deferred revenue	5,821	8,819
Billings in excess of costs and profits recognized	6,004	1,881
Total current liabilities	229,390	216,305
Long-term debt, net of current portion	465,853	506,750
Deferred income taxes, net	12,331	31,232
Other long-term liabilities	31,781	31,925
Total liabilities	739,355	786,212
Commitments and contingencies		
Equity		
Common stock, $0.01 par value, 296,000,000 shares authorized, 117,066,561 and 116,343,656 shares issued	1,171	1,163
Additional paid-in capital	1,204,967	1,195,339
Treasury stock at cost, 8,198,101 and 8,190,362 shares	(134,404)	(134,293)
Retained earnings	450,485	438,774
Accumulated other comprehensive loss	(104,244)	(91,967)
Total equity	1,417,975	1,409,016
Total liabilities and equity	$2,157,330	$2,195,228

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

Forum Energy Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in thousands, except share information)	2018	2017
Cash flows from operating activities		
Net income (loss)	$12,717	$(93,641)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	16,358	17,226
Amortization of intangible assets	20,932	13,104
Goodwill and intangible asset impairments	14,477	68,004
Inventory write down	8,002	769
Share-based compensation expense	10,616	9,850
(Earnings) loss from unconsolidated subsidiary, net of distributions	613	(2,329)
Gain on contribution of subsea rentals business	(33,506)	—
Deferred income taxes	(22,247)	(24,435)
Other	1,528	3,353
Changes in operating assets and liabilities		
Accounts receivable—trade	(15,636)	(37,644)
Inventories	(52,679)	(16,800)
Prepaid expenses and other assets	(2,122)	2,232
Income tax receivable	—	30,929
Cost and estimated profit in excess of billings	109	1,914
Accounts payable, deferred revenue and other accrued liabilities	10,978	35,183
Billings in excess of costs and estimated profits earned	4,123	(2,956)
Net cash provided by (used in) operating activities	$(25,737)	$4,759
Cash flows from investing activities		
Capital expenditures for property and equipment	(14,140)	(13,020)
Acquisition of businesses, net of cash acquired	—	(8,738)
Investment in unconsolidated subsidiary	—	(1,041)
Proceeds from sale of business, property and equipment	8,809	1,699
Net cash used in investing activities	$(5,331)	$(21,100)
Cash flows from financing activities		
Borrowings of debt	50,000	—
Repayments of debt	(91,678)	(1,011)
Repurchases of stock	(2,212)	(4,564)
Proceeds from stock issuance	—	2,020
Net cash used in financing activities	$(43,890)	$(3,555)
Effect of exchange rate changes on cash	(1,153)	5,944
Net decrease in cash, cash equivalents and restricted cash	(76,111)	(13,952)
Cash, cash equivalents and restricted cash at beginning of period	115,216	234,422
Cash, cash equivalents and restricted cash at end of period	$39,105	$220,470

Noncash investing activities

Acquisition via issuance of stock	$—	$4,500
Assets contributed for equity method investment	$18,070	$—
Note receivable related to equity method investment transaction	$4,067	$—

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

Forum Energy Technologies, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

Forum Energy Technologies, Inc. (the "Company," "we," "our," or, "us"), a Delaware corporation, is a global oilfield products company, serving the drilling, subsea, completion, production and infrastructure sectors of the oil and natural gas industry. The Company designs, manufactures and distributes products and engages in aftermarket services, parts supply and related services that complement the Company's product offering.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Our investments in operating entities where we have the ability to exert significant influence, but do not control operating and financial policies, are accounted for using the equity method of accounting, with our share of the net income reported in "Earnings (loss) from equity investment" in the condensed consolidated statements of comprehensive income (loss). These investments are included in "Investment in unconsolidated subsidiary" in the condensed consolidated balance sheets. The Company's share of equity earnings and losses are reported within operating loss, as the investee's operations are integral to the operations of the Company.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of the Company's financial position, results of operations and cash flows have been included. Operating results for the six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018 or any other interim period.

These interim financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("GAAP") for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, which are included in the Company's 2017 Annual Report on Form 10-K filed with the SEC on February 27, 2018 (the "Annual Report").

2. Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB"), which we adopt as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on our consolidated financial statements upon adoption.

Accounting Standards Adopted in 2018

Revenue Recognition. In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("Topic 606"). Topic 606 supersedes existing revenue recognition guidance and requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. We adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method applied to contracts that were not completed as of that date. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of Topic 606 did not have a material impact on the timing or amounts of revenue recognized in our unaudited condensed consolidated financial statements. We did not recognize any cumulative-effect adjustment to retained earnings upon adoption as the impact was immaterial. Refer to Note 3 Revenues for additional information related to our revenue recognition policies and incremental disclosures following the adoption of Topic 606.

Modification Accounting for Stock Compensation. In May 2017, the FASB issued ASU No. 2017-09 Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting, which clarifies when to account for a change to the terms or conditions of a share based payment award as a modification. Under the new ASU, an entity should apply modification accounting unless the fair value, the vesting conditions, and the classification as equity or liability of the modified award all remain the same as the original award. We applied the update prospectively beginning January 1, 2018. The adoption of this new guidance had no impact on our unaudited condensed consolidated financial statements or related disclosures.

Clarifying the Definition of a Business. In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805) - Clarifying the Definition of a Business, in an effort to clarify the definition of a business, with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. We applied the update prospectively beginning January 1, 2018. The adoption of this new guidance had no material impact on our unaudited condensed consolidated financial statements or related disclosures.

Deferred Taxes on Intra-Entity Asset Transfers. In October 2016, the FASB issued ASU No. 2016-16 Income Tax (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory. Previous GAAP prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset was sold to an outside party. This new guidance eliminated this exception and requires the income tax consequences of an intra-entity transfer of an asset other than inventory to be recognized when the transfer occurs. As required, we applied this update on a modified retrospective basis resulting in a $1.0 million direct cumulative-effect adjustment to retained earnings as of January 1, 2018.

Statement of Cash Flows. In August 2016, the FASB issued ASU No. 2016-15 Cash Flow Statement (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. This new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice, including: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. We adopted this new guidance in the first quarter of 2018. The only issue currently relevant to the Company is distributions received from equity method investees, where the new guidance allows an accounting policy election between the cumulative earnings approach and the nature of the distribution approach. We will continue to use the cumulative earnings approach. Therefore, the adoption of this guidance did not have a material impact on our unaudited condensed consolidated financial statements.

Restricted Cash Presentation. In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230) - Restricted Cash, a consensus of the FASB Emerging Issues Task Force. This new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We applied the update prospectively beginning January 1, 2018. The adoption of this new guidance did not have a material impact on our unaudited condensed consolidated financial statements.

Accounting Standards Issued But Not Yet Adopted

Stranded Tax Effects from the Tax Cuts and Jobs Act. In February 2018, the FASB issued ASU No. 2018-02 Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. U.S. GAAP requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates, with the effect included in income from continuing operations in the reporting period that includes the enactment date, even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income (referred to as “stranded tax effects”). The amendments in this ASU allow a specific exception for reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. In addition, the amendments in this update also require certain disclosures about stranded tax effects. The standard will take effect for public companies with fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact of the adoption of this guidance.

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases. Under this new guidance, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of greater than twelve months. The standard will take effect for public companies with fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are continuing to evaluate the impact of this new guidance and have put in place an implementation team to review lease contracts, evaluate existing lease related processes and provide training related to the new standard. We will continue to monitor for any additional implementation or other guidance that may be issued in 2018 with respect to the new lease standard and adjust implementation plans accordingly.

Table of Contents

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

3. Revenues

Adoption of ASC Topic 606, “Revenue from Contracts with Customers”

On January 1, 2018, we adopted Topic 606 using the modified retrospective transition method applied to contracts that were not completed as of that date. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic revenue recognition guidance.

The adoption of Topic 606 did not have a material impact on our consolidated financial position, results of operations, equity or cash flows as of the adoption date or for the three and six months ended June 30, 2018. Furthermore, we expect the impact of the adoption of the new standard to be immaterial to our revenue and gross profit on an ongoing basis.

The following table summarizes the impacts of adopting Topic 606 on our consolidated financial statements as of January 1, 2018:

(in thousands, unaudited)	As Reported Dec. 31, 2017	Adjustments due to ASC 606	As Adjusted Jan. 1, 2018
Accounts receivable—trade, net	$202,914	$ (3,235)	$199,679
Accrued revenue	—	3,235	3,235

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated statement of comprehensive income and balance sheet is shown in the tables below. The immaterial impact to revenue and cost of sales relates to a change in the timing of revenue recognition for certain short-term contracts in our subsea product line.

	Three Months Ended June 30, 2018		
(in thousands, unaudited)	As Reported	Amount Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Income Statement			
Revenue	$274,003	$274,366	$ (363)
Cost of sales	201,334	201,749	(415)
Gross profit	$72,669	$72,617	$ 52

	Six Months Ended June 30, 2018		
(in thousands, unaudited)	As Reported	Amount Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Income Statement			
Revenue	$524,234	$524,234	$ —
Cost of sales	384,278	384,278	—
Gross profit	$139,956	$139,956	$ —
Balance Sheet			
Accounts receivable—trade, net	$210,925	$212,721	$ (1,796)
Accrued revenue	1,796	—	1,796

Revenue Recognition Policies

Revenue is recognized in accordance with ASC Topic 606 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.

Contract Identification. We account for a contract when it is approved, both parties are committed, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collection of consideration is probable.

Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer under Topic 606. The majority of our contracts with customers contain a single performance obligation to provide agreed-upon products or services. For contracts with multiple performance obligations, we allocate revenue to each performance obligation based on its relative standalone selling price. In accordance with Topic 606, we do not assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer. We have elected to apply the practical expedient to account for shipping and handling costs associated with outbound freight after control of a product has transferred to a customer as a fulfillment cost which is included in Cost of Sales. Furthermore, since our customer payment terms are short-term in nature, we have also elected to apply the practical expedient which allows an entity to not adjust for the effects of a significant financing component if it expects that the customer’s payment period will be less than one year in duration.

Contract Value. Revenue is measured based on the amount of consideration specified in the contracts with our customers and excludes any amounts collected on behalf of third parties. We have elected the practical expedient to exclude amounts collected from customers for all sales (and other similar) taxes.

The estimation of total revenue from a customer contract is subject to elements of variable consideration. Certain customers may receive rebates or discounts which are accounted for as variable consideration. We estimate variable consideration as the most likely amount to which we expect to be entitled, and we include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved. Our estimate of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historic, current, forecast) that is reasonably available to us.

Timing of Recognition. We recognize revenue when we satisfy a performance obligation by transferring control of a product or service to a customer. Our performance obligations are satisfied at a point in time or over time as work progresses.

Revenue from goods transferred to customers at a point in time accounted for 96% of revenues for both the three and six months ended June 30, 2018. The majority of this revenue is product sales, which are generally recognized when items are shipped from our facilities and title passes to the customer. The amount of revenue recognized for products is adjusted for expected returns, which are estimated based on historical data.

Revenue from goods transferred to customers over time accounted for 4% of revenues for both the three and six months ended June 30, 2018, which is primarily related to contracts in our Subsea and Production Equipment product lines. Recognition over time for these contracts is supported by our assessment of the products supplied as having no alternative use to us and by clauses in the contracts that provide us with an enforceable right to payment for performance completed to date.

We use the cost-to-cost method to measure progress for these contracts because it best depicts the transfer of assets to the customer which occurs as costs are incurred on the contract. The amount of revenue recognized is calculated based on the ratio of costs incurred to-date compared to total estimated costs which requires management to calculate reasonably dependable estimates of total contract costs. Whenever revisions of estimated contract costs and contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period. We recognize revenue and cost of sales each period based upon the advancement of the work-in-progress unless the stage of completion is insufficient to enable a reasonably certain forecast of profit to be established. In such cases, no profit is recognized during the period.

Accounting estimates during the course of projects may change, primarily related to our remotely operated vehicles (“ROVs”) which may take longer to manufacture. The effect of such a change, which can be upward as well as downward, is accounted for in the period of change, and the cumulative income recognized to date is adjusted to reflect the latest estimates. These revisions to estimates are accounted for on a prospective basis.

Contracts are sometimes modified to account for changes in product specifications or requirements. Most of our contract modifications are for goods and services that are not distinct from the existing contract. As such, these modifications are accounted for as if they were part of the existing contract, and therefore, the effect of the modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue on a cumulative catch-up basis. No adjustment to any one contract was material to our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2018.

We sell our products through a number of channels including a direct sales force, marketing representatives, and distributors. We have elected to expense sales commissions when incurred as the amortization period would be less than one year. These costs are recorded within cost of sales.

Portfolio Approach. We have elected to apply the new revenue standard to a portfolio of contracts with similar characteristics as we reasonably expect that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.

Disaggregated Revenue

Refer to Note 10 Business Segments for disaggregated revenue by product line and geography.

Contract Balances

Contract balances are determined on a contract by contract basis. Contract assets represent revenue recognized for goods and services provided to our customers when payment is conditioned on something other than the passage of time. Similarly, when we receive consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, we record a contract liability. Such contract liabilities typically result from billings in excess of costs incurred on construction contracts and advance payments received on product sales.

The following table reflects the changes in our contract assets and contract liabilities balances for the six months ended June 30, 2018:

	June 30, 2018	January 1, 2018	Increase / (Decrease) $	%
Accrued revenue	$1,796	$ 3,235		
Costs and estimated profits in excess of billings	9,488	9,584		
Contract assets	$11,284	$ 12,819	$(1,535)	(12)%
Deferred revenue	$5,821	$ 8,819		
Billings in excess of costs and profits recognized	6,004	1,881		
Contract liabilities	$11,825	$ 10,700	$1,125	11 %

During the six months ended June 30, 2018, our contract assets decreased by $1.5 million primarily due to the timing of billings in our Production Equipment product line and our contract liabilities increased by $1.1 million primarily due to a down payment received for a large customer order in our subsea product line.

During the six months ended June 30, 2018, we recognized revenue of $7.2 million that was included in the contract liability balance at the beginning of the period.

In the second quarter 2018, our Subsea Technologies product line received an order to supply a submarine rescue vehicle and related equipment which is expected to be delivered in 2020. We use the cost-to-cost method to measure progress on this contract to recognize revenue over time. Other than this contract, all of our other contracts are less than one year in duration. As such, we have elected to apply the practical expedient which allows an entity to exclude disclosures about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

4. Acquisitions & Dispositions

2018 Disposition of Forum Subsea Rentals

On January 3, 2018, we contributed our subsea rentals business to Ashtead Technology to create a leading independent provider of subsea survey and equipment rental services. In exchange, we received a 40% interest in the combined business (“Ashtead”), a cash payment of £2.7 million British Pounds and a note receivable from Ashtead of £3.0 million British Pounds. Our 40% interest in Ashtead is accounted for as an equity method investment and reported as Investment in unconsolidated subsidiary in our unaudited condensed consolidated balance sheets. In the first quarter of 2018, we recognized a gain of $33.5 million as a result of the deconsolidation of our Forum Subsea Rentals business, which is classified as Gain on contribution of subsea rentals business in the unaudited condensed consolidated statements of comprehensive income (loss). This gain is equal to the sum of the consideration received, which includes the fair value of our 40% interest in Ashtead, £2.7 million British Pounds in cash, and the £3.0 million British Pounds note receivable from Ashtead, less the $18.1 million carrying value of the Forum subsea rentals assets at the time of closing. The fair value of our 40% interest in Ashtead was determined based on the present value of estimated future cash flows of the combined entity as of January 3, 2018. The difference between the fair value of our 40% interest in Ashtead of $43.8 million and the book value of the underlying net assets resulted in a basis difference, which was allocated to fixed assets, intangible assets and goodwill based on their respective fair values as of January 3, 2018. The basis difference allocated to fixed assets and intangible assets will be amortized through equity earnings (loss) over the estimated life of the respective assets.

Pro forma results of operations for this transaction have not been presented because the effects were not material to the consolidated financial statements.

2017 Acquisition of Global Tubing

On October 2, 2017, we acquired all of the remaining ownership interests of Global Tubing, LLC (“Global Tubing”) from our joint venture partner and management for total consideration of approximately $290.3 million. We originally invested in Global Tubing with the joint venture partner and management in 2013. Prior to acquiring the remaining ownership interest in Global Tubing, we reported this investment using the equity method of accounting. The financial results for Global Tubing are reported in the Completions segment. Located in Dayton, Texas, Global Tubing provides coiled tubing, coiled line pipe and related services to customers worldwide. We believe that this strategic acquisition will further enhance our focus and strategy of expansion in the North American completions market. Global Tubing contributed revenues of $39.5 million and $76.5 million respectively during the three and six months ended June 30, 2018. Refer to Note 4. Acquisitions in our Annual Report for pro forma results of operations for this acquisition.

The following table summarizes the consideration transferred to acquire the remaining ownership interests of Global Tubing (in thousands other than stock price and shares issued):

	Purchase Consideration
Forum Energy Technologies' closing stock price on October 2, 2017	$ 15.10
Multiplied by number of shares issued for acquisition	11,488,208
Value of common shares	$ 173,472
Cash	31,764
Repayment of Global Tubing debt at acquisition	85,084
Total consideration paid for the acquisition	$ 290,320

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the acquisition (in thousands):

Accounts receivable	$28,044
Inventory	40,005
Other current assets	3,141
Property and equipment	51,585
Intangible assets (primarily developed technologies and customer relationships)	228,190
Tax-deductible goodwill	69,423
Non-tax deductible goodwill	64,491
Current liabilities	(16,005)
Long term liabilities	(54)
Total net assets	468,820
Fair value of equity method investment previously held	(178,500)

Net assets acquired	$290,320

12

The goodwill is attributable to the workforce of the acquired business and synergies expected to arise following the acquisition of the remaining ownership interests of Global Tubing. The goodwill associated with the previously owned equity interests is not deductible for tax purposes. All of the goodwill was assigned to the Company's Completions segment.

2017 Acquisition of Multilift

On July 3, 2017, we acquired Multilift Welltec, LLC and Multilift Wellbore Technology Limited (collectively, "Multilift") for approximately $39.2 million in cash consideration. These acquisitions are included in the Completions segment. Based in Houston, Texas, Multilift manufactures the patented SandGuard™ and the Cyclone™ completion tools. This acquisition increases our product offering related to artificial lift to our completions customers. We intend to utilize our distribution system to increase Multilift's sales with additional customers and through geographic expansion. Pro forma results of operations for this acquisition have not been presented because the effects were not material to the condensed consolidated financial statements. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the acquisition (in thousands):

Current assets, net of cash acquired	$3,763
Property and equipment	96
Intangible assets (primarily customer relationships)	17,090
Tax-deductible goodwill	16,472
Non-tax deductible goodwill	3,099
Current liabilities	(1,329)
Net assets acquired	$39,191

2017 Acquisition of Cooper Valves

On January 9, 2017, we acquired substantially all of the assets of Cooper Valves, LLC as well as 100% of the general partnership interests of Innovative Valve Components (collectively, "Cooper") for total aggregate consideration of $14.0 million, after settlement of working capital adjustments. The aggregate consideration included the issuance of stock valued at $4.5 million and certain contingent stock issuances. These acquisitions are included in the Production & Infrastructure segment. The acquired Cooper brands include Accuseal® metal seated ball valves engineered to meet Class VI shut off standards for use in severe service applications, as well as a full line of Cooper Alloy® cast and forged gate, globe, and check valves. Innovative Valve Components, in partnership with Cooper Valves, commercialized critical service valves and components for the power generation, mining and oil and natural gas industries. The fair values of the assets acquired and liabilities assumed and pro forma results of operations have not been presented because they are not material to the consolidated financial statements.

5. Inventories

Our significant components of inventory at June 30, 2018 and December 31, 2017 were as follows (in thousands):

	June 30, 2018	December 31, 2017
Raw materials and parts	$194,743	$ 160,093
Work in process	45,696	51,941
Finished goods	309,195	305,461
Gross inventories	549,634	517,495
Inventory reserve	(63,434)	(74,318)
Inventories	$486,200	$ 443,177

Table of Contents
Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

6. Goodwill and Intangible Assets
Goodwill
The changes in the carrying amount of goodwill from December 31, 2017 to June 30, 2018, were as follows (in thousands):

	Drilling & Subsea	Completions	Production & Infrastructure	Total
Goodwill Balance at December 31, 2017	$251,454	$484,345	$19,446	$755,245
Impact of non-U.S. local currency translation	(2,646)	(1,331)	(134)	(4,111)
Goodwill Balance at June 30, 2018	$248,808	$483,014	$19,312	$751,134

We perform our annual impairment tests of goodwill as of October 1, or when there is an indication an impairment may have occurred.
There was no impairment of goodwill during the three and six months ended June 30, 2018.
In the second quarter of 2017, there was a decline in oil prices and a developing consensus view that production from lower cost oil basins would be sufficient to meet anticipated demand for a longer period, delaying the need for production from higher cost basins. With this indication of further delays in the recovery of the offshore market, we performed an impairment test and determined that the carrying value of the goodwill in our Subsea reporting unit was impaired resulting in a $68.0 million charge in the second quarter 2017. Following this impairment charge, the Subsea reporting unit has no remaining balance in goodwill. There was no indication an impairment may have occurred in the other reporting units.
The fair values used in the impairment analysis were determined using the net present value of the expected future cash flows for the Subsea reporting unit. For the goodwill impairment analysis, we determine the fair value of the reporting unit as a whole using a discounted cash flow analysis, which requires significant assumptions and estimates about future operations. The assumptions about future cash flows and growth rates are based on our current budget as well as our strategic plans and management’s beliefs about future activity levels. The discount rate we used for future periods could change substantially if the cost of debt or equity were to significantly increase or decrease, or if we were to choose different comparable companies in determining the appropriate discount rate for our reporting units. Forecasted cash flows in future periods were estimated using a terminal value calculation, which considered long-term earnings growth rates.
Accumulated impairment losses on goodwill were $236.8 million as of each of June 30, 2018 and December 31, 2017.

Table of Contents
Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

Intangible assets

Intangible assets consisted of the following as of June 30, 2018 and December 31, 2017, respectively (in thousands):

	June 30, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Amortizable Intangibles	Amortization Period (In Years)
Customer relationships	$388,452	$ (132,391)	$ 256,061	4-15
Patents and technology	108,590	(19,242)	89,348	5-17
Non-compete agreements	5,944	(5,552)	392	3-6
Trade names	62,591	(24,162)	38,429	10-15
Distributor relationships	22,160	(16,970)	5,190	8-15
Trademarks	10,319	(254)	10,065	15 - Indefinite
Intangible Assets Total	$598,056	$ (198,571)	$ 399,485	

	December 31, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Amortizable Intangibles	Amortization Period (In Years)
Customer relationships	$428,544	$ (138,566)	$ 289,978	4-15
Patents and technology	110,910	(16,733)	94,177	5-17
Non-compete agreements	6,625	(6,041)	584	3-6
Trade names	64,359	(22,090)	42,269	10-15
Distributor relationships	22,160	(16,338)	5,822	8-15
Trademarks	10,319	(85)	10,234	15 - Indefinite
Intangible Assets Total	$642,917	$ (199,853)	$ 443,064	

Intangible assets with definite lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In the second quarter 2018, we made the decision to exit specific products within the Subsea and Downhole product lines. As a result, we recognized $14.5 million of impairment losses on certain intangible assets (primarily customer relationships).

7. Debt

Notes payable and lines of credit as of June 30, 2018 and December 31, 2017 consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
6.25% Senior Notes due October 2021	$400,000	$ 400,000
Unamortized debt premium	1,380	1,583
Debt issuance cost	(3,671)	(4,222)
Senior secured revolving credit facility	68,000	108,446
Other debt	1,223	2,099
Total debt	466,932	507,906
Less: current maturities	(1,079)	(1,156)
Long-term debt	$465,853	$ 506,750

Senior Notes Due 2021

The Senior Notes bear interest at a rate of 6.25% per annum, payable on April 1 and October 1 of each year, and mature on October 1, 2021. The Senior Notes are senior unsecured obligations, and are guaranteed on a senior unsecured basis by our subsidiaries that guarantee the Credit Facility and rank junior to, among other indebtedness, the Credit Facility to the extent of the value of the collateral securing the Credit Facility.

Credit Facility

On October 30, 2017, we amended and restated our existing credit facility (such amended and restated credit facility, the "Credit Facility") to, among other things, increase revolving credit commitments from $140.0 million to $300.0 million (with a sublimit of up to $25.0 million available for the issuance of letters of credit for the account of the Company and certain of our domestic subsidiaries) (the "U.S. Line"), of which up to $30.0 million is available to certain of our Canadian subsidiaries for loans in U.S. or Canadian dollars (with a sublimit of up to $3.0 million available for the issuance of letters of credit for the account of our Canadian subsidiaries) (the "Canadian Line"). Lender commitments under the Credit Facility, subject to certain limitations, may be increased by an additional $100.0 million. The Credit Facility matures in July 2021, but if our outstanding Notes due October 2021 are refinanced or replaced with indebtedness maturing in or after February 2023, the final maturity of the Credit Facility will automatically extend to October 2022.

Availability under the Credit Facility is subject to a borrowing base calculated by reference to eligible accounts receivable in the U.S., Canada and certain other jurisdictions (subject to a cap) and eligible inventory in the U.S. and Canada. Our borrowing capacity under the Credit Facility could be reduced or eliminated, depending on future fluctuations in our balances of receivables and inventory. As of June 30, 2018, our total borrowing base was $299.4 million, of which $68.0 million was drawn and $12.9 million was used for security of outstanding letters of credit, resulting in availability of $218.5 million.

Borrowings under the U.S. Line bear interest at a rate equal to, at our option, either (a) the LIBOR rate or (b) a base rate determined by reference to the highest of (i) the rate of interest per annum determined from time to time by Wells Fargo as its prime rate in effect at its principal office in San Francisco, (ii) the federal funds rate plus 0.50% per annum and (iii) the one-month adjusted LIBOR plus 1.00% per annum, in each case plus an applicable margin. Borrowings under the Canadian Line bear interest at a rate equal to, at Forum Canada's option, either (a) the CDOR rate or (b) a base rate determined by reference to the highest of (i) the prime rate for Canadian dollar commercial loans made in Canada as reported from time to time by Thomson Reuters and (ii) the CDOR rate plus 1.00%, in each case plus an applicable margin. The applicable margin for LIBOR and CDOR loans will initially range from 1.75% to 2.25%, depending upon average excess availability under the Credit Facility. After the first quarter ending on or after March 31, 2018 in which our total leverage ratio is less than or equal to 4.00:1.00, the applicable margin for LIBOR and CDOR loans will range from 1.50% to 2.00%, depending upon average excess availability under the Credit Facility. The weighted average interest rate under the Credit Facility was approximately 3.89% for the six months ended June 30, 2018.

The Credit Facility also provides for a commitment fee in the amount of (a) 0.375% per annum on the unused portion of commitments if average usage of the Credit Facility is greater than 50% and (b) 0.500% per annum on the unused portion of commitments if average usage of the Credit Facility is less than or equal to 50%. After the first quarter ending on or after March 31, 2018 in which our total leverage ratio is less than or equal to 4.00:1.00, the commitment fees will range from 0.25% to 0.375%, depending upon average usage of the Credit Facility.

If excess availability under the Credit Facility falls below the greater of 10% of the borrowing base and $20.0 million, we will be required to maintain a fixed charge coverage ratio of at least 1.00:1.00 as of the end of each fiscal quarter until excess availability under the Credit Facility exceeds such thresholds for at least 60 consecutive days.

Deferred Loan Costs

We have incurred loan costs that have been deferred and are amortized to interest expense over the term of the Senior Notes and the Amended Credit Facility.

Other Debt
Other debt consists primarily of various capital leases of equipment.

Letters of Credit and Guarantees

We execute letters of credit in the normal course of business to secure the delivery of product from specific vendors and also to guarantee our fulfillment of performance obligations relating to certain large contracts. We had $13.5 million and $7.9 million in total outstanding letters of credit as of June 30, 2018 and December 31, 2017, respectively.

8. Income Taxes

We recorded tax expense of $1.6 million for the three months ended June 30, 2018 compared to an $11.1 million tax benefit recorded for the three months ended June 30, 2017. For the six months ended June 30, 2018, we recorded an $11.3 million tax benefit as compared to a tax benefit of $24.0 million for the six months ended June 30, 2017.

For interim periods, our income tax expense or benefit is computed based upon our estimated annual effective tax rate and any discrete items that impact the interim periods. Our estimated annual effective tax rate differs from the U.S. federal statutory rates of 21% and 35% for the periods in 2018 and 2017, respectively, primarily as a result of the impact of U.S. Tax Reform as discussed further below, losses in the U.K. for which the recording of a tax benefit is not available and higher projected state income taxes. The first half of 2018 included a $15.9 million income tax benefit from adjusting the provisional impact of tax reform initially recorded in the fourth quarter of 2017. For the six months ended June 30, 2017, the tax benefit was negatively impacted by a $68.0 million impairment loss related to non-tax deductible goodwill. Furthermore, the tax benefit or expense recorded can vary from period to period depending on the Company’s relative mix of U.S. and non-U.S. earnings and losses by jurisdiction.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act of 2017 (“U.S. Tax Reform”), a comprehensive U.S. tax reform package that, effective January 1, 2018, among other things, lowered the corporate income tax rate from 35% to 21% and moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred earnings of non-U.S. subsidiaries.

In the fourth quarter of 2017, we recorded provisional amounts related to the effects of U.S. Tax Reform including the recognition of liabilities for taxes on mandatory deemed repatriation of non-U.S. earnings and re-measurement of deferred taxes based on the new U.S. corporate income tax rate of 21%. We updated these provisional amounts in the first half of 2018 based on additional guidance issued by the U.S. Internal Revenue Service resulting in an income tax benefit of $15.9 million. This adjustment to our provisional estimate of the effects of U.S. Tax Reform results in an overall net benefit of $5.8 million.

As we do not have all the necessary information to analyze all income tax effects of the new rules, these amounts remain provisional and we believe they represent a reasonable estimate of the accounting implications of U.S. Tax Reform. The ultimate impact of U.S. Tax Reform continues to be subject to adjustment as further guidance is provided by the U.S. Internal Revenue Service regarding the application of the new U.S. corporate income tax laws. We expect to complete our detailed analysis no later than the fourth quarter of 2018.

9. Fair Value Measurements

At June 30, 2018 and December 31, 2017, the Company had $68.0 million and $108.4 million, respectively, of debt outstanding under the Credit Facility which incurs interest at a variable interest rate, and therefore, the carrying amount approximates fair value. The fair value of the debt is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities.

The fair value of our Senior Notes is estimated using Level 2 inputs in the fair value hierarchy and is based on quoted prices for those or similar instruments. At June 30, 2018, the fair value and the carrying value of our Senior Notes approximated $399.0 million and $401.4 million, respectively. At December 31, 2017, the fair value and the carrying value of our Senior Notes approximated $402.0 million and $401.6 million, respectively.

There were no other outstanding financial assets as of June 30, 2018 and December 31, 2017 that required measuring the amounts at fair value. We did not change our valuation techniques associated with recurring fair value measurements from prior periods, and there were no transfers between levels of the fair value hierarchy during the six months ended June 30, 2018.

Table of Contents
Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

10. Business Segments

The Company reports its results of operations in the following three reportable segments: Drilling & Subsea, Completions and Production & Infrastructure. The amounts indicated below as “Corporate” relate to costs and assets not allocated to the reportable segments. Summary financial data by segment follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Drilling & Subsea	$59,907	$64,031	$112,255	$125,907
Completions	126,599	54,511	239,107	96,901
Production & Infrastructure	88,599	83,117	175,020	150,696
Eliminations	(1,102)	(544)	(2,148)	(1,293)
Total revenue	$274,003	$201,115	$524,234	$372,211
Operating loss				
Drilling & Subsea	$(5,914)	$(6,367)	$(16,120)	$(14,708)
Completions	12,584	679	21,441	(2,837)
Production & Infrastructure	3,704	3,435	7,866	2,866
Corporate	(8,843)	(7,819)	(17,423)	(15,626)
Segment operating income (loss)	1,531	(10,072)	(4,236)	(30,305)
Transaction expenses	59	245	1,395	873
Goodwill and intangible asset impairments	14,477	68,004	14,477	68,004
Loss (gain) on disposal of assets and other	(1,303)	1,635	(1,700)	1,389
Operating loss	$(11,702)	$(79,956)	$(18,408)	$(100,571)

A summary of consolidated assets by reportable segment is as follows (in thousands):

	June 30, 2018	December 31, 2017
Drilling & Subsea	$634,318	$ 645,254
Completions	1,222,436	1,202,379
Production & Infrastructure	261,022	251,685
Corporate	39,554	95,910
Total assets	$2,157,330	$ 2,195,228

Corporate assets include, among other items, cash, prepaid assets and deferred financing costs.

Table of Contents
Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

The following table presents our revenues disaggregated by product line (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Drilling Technologies	46,395	47,167	$89,163	$92,310
Subsea Technologies	13,512	16,864	23,092	33,597
Downhole Technologies	26,571	17,013	51,098	33,627
Stimulation and Intervention	60,505	37,498	111,492	63,274
Coiled Tubing	39,523	—	76,517	—
Production Equipment	35,269	32,297	66,725	57,018
Valve Solutions	53,330	50,820	108,295	93,678
Eliminations	(1,102)	(544)	(2,148)	(1,293)
Total revenue	274,003	201,115	$524,234	$372,211

The following table presents our revenues disaggregated by geography (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
United States	$203,966	$155,924	$394,030	$283,249
Canada	16,511	12,055	35,705	25,525
Europe & Africa	17,237	16,397	31,127	33,124
Middle East	16,388	5,328	26,958	9,687
Asia-Pacific	14,087	6,513	22,937	11,895
Latin America	5,814	4,898	13,477	8,731
Total Revenue	$274,003	$201,115	$524,234	$372,211

11. Commitments and Contingencies

In the ordinary course of business, the Company is, and in the future could be, involved in various pending or threatened legal actions that may or may not be covered by insurance. Management has reviewed such pending judicial and legal proceedings and the availability and limits of insurance coverage, and has established reserves that are believed to be appropriate in light of those outcomes that are considered to be probable and can be reasonably estimated. The reserves accrued at June 30, 2018 and December 31, 2017, respectively, are immaterial. It is management’s opinion that the Company’s ultimate liability, if any, with respect to these actions is not expected to have a material adverse effect on the Company’s financial position, results of operations or cash flows.

Table of Contents
Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

12. Earnings Per Share
The calculation of basic and diluted earnings per share for each period presented was as follows (dollars and shares in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	$(15,349)	$(77,873)	$12,717	$(93,641)
Basic - weighted average shares outstanding	108,714	96,170	108,569	96,016
Dilutive effect of stock options and restricted stock	—	—	2,252	—
Diluted - weighted average shares outstanding	108,714	96,170	110,821	96,016
Earnings (loss) per share				
Basic	$(0.14)	$(0.81)	$0.12	$(0.98)
Diluted	$(0.14)	$(0.81)	$0.11	$(0.98)

The calculation of diluted earnings per share excludes approximately 3.5 million shares that were anti-dilutive for the six months ended June 30, 2018. The calculation of diluted loss per share excludes all potentially dilutive shares for the three months ended June 30, 2018, and three and six months ended June 30, 2017, because there were net losses for the periods.

13. Stockholders' Equity
Share-based compensation
During the six months ended June 30, 2018, the Company granted 504,930 stock options, 1,181,249 shares of restricted stock and restricted stock units and 160,010 performance share awards with a market condition.
The stock options granted have an exercise price of $12.00 per share and vest ratably over 4 years. The 1,181,249 shares of restricted stock and restricted stock units include 1,068,749 shares granted to employees that vest ratably over 4 years and 112,500 shares granted to non-employee members of the Board of Directors that have a vesting period of 12 months.
The performance share awards granted may settle for between zero and two shares of the Company’s common stock. The number of shares issued pursuant to the performance share award agreements will be determined based on the total shareholder return of the Company’s common stock as compared to a group of peer companies, measured annually over a one year, two year and three year performance period.

14. Related Party Transactions
The Company has sold and purchased equipment and services to and from certain affiliates of our directors. The dollar amounts related to these related party activities are not material to the Company’s unaudited condensed consolidated financial statements.

15. Subsequent Event

On July 2, 2018, we acquired certain assets of ESP Completion Technologies LLC ("ESPCT"), a subsidiary of C&J Energy Services, for cash consideration. ESPCT consists of a portfolio of early stage technologies that maximize the run life of artificial lift systems, primarily electric submersible pumps. The fair values of the assets acquired and liabilities assumed as well as the pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated financial statements.

Table of Contents
Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

16. Condensed Consolidating Financial Statements
The Senior Notes are guaranteed by our domestic subsidiaries which are 100% owned, directly or indirectly, by the Company. The guarantees are full and unconditional, joint and several, and on an unsecured basis.
Condensed
consolidating
statements of
comprehensive
income (loss)