KILROY REALTY CORP
Form POS AM
October 24, 2003

As filed with the Securities and Exchange Commission on October 23, 2003

Registration No. 333-83112

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

KILROY REALTY CORPORATION

(Exact name of Registrant as specified in its charter)

Maryland	**95-4598246**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

12200 West Olympic Boulevard, Suite 200,

Los Angeles, California 90064,

(310) 481-8400

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Richard E. Moran Jr.

Executive Vice President and Chief Financial Officer

Kilroy Realty Corporation

12200 West Olympic Boulevard, Suite 200,

Los Angeles, California 90064,

(310) 481-8400

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

J. Scott Hodgkins, Esq.

Latham & Watkins LLP

633 West Fifth Street,

Suite 4000, Los Angeles, California 90071-2007, (213) 485-1234

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

This registration statement relates to securities which may be offered from time to time by Kilroy Realty Corporation. This registration statement contains a form of basic prospectus which will be used in connection with an offering of securities by the Company. The specific terms of the securities to be offered will be set forth in a prospectus supplement relating to such securities.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Incorporation of Contents of Prior Registration Statement

Kilroy Realty Corporation (the Registrant) files this post-effective amendment solely to add Exhibit 8.1 and incorporates by reference the contents of the previous Registration Statement filed by the Registrant on Form S-3 (Registration No. 333-83112), as amended and supplemented as of the date hereof.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 16 Exhibits.

Exhibit	
4.1	Articles of Amendment and Restatement of the Registrant(1)
4.2	Amended and Restated Bylaws of the Registrant(1)
4.3	Form of Certificate for Common Stock of the Registrant(1)
4.4	Articles Supplementary of the Registrant designating 8.075% Series A Cumulative Redeemable Preferred Stock(2)
4.5	Articles Supplementary of the Registrant designating 8.075% Series A Cumulative Redeemable Preferred Stock(3)
4.6	Articles Supplementary of the Registrant designating Series B Junior Participating Preferred Stock(4)
4.7	Certificate of Correction for the Articles Supplementary of the Registrant designating its Series B Junior Participating Preferred Stock(5)
4.8	Articles Supplementary of the Registrant designating 9.375% Series C Cumulative Redeemable Preferred Stock(6)
4.9	Articles Supplementary of the Registrant designating 9.25% Series D Cumulative Redeemable Preferred Stock(7)
4.10	Articles Supplementary of the Registrant designating 9.25% Series D Cumulative Redeemable Preferred Stock(10)
4.11	Registration Rights Agreement, dated January 31, 1997(1)
4.12	Registration Rights Agreement, dated February 6, 1998(2)
4.13	Registration Rights Agreement, dated April 20, 1998(3)

4.14	Registration Rights Agreement, dated November 24, 1998(6)
4.15	Registration Rights Agreement, dated as of October 31, 1997(8)
4.16	Rights Agreement, dated as of October 2, 1998 between Kilroy Realty Corporation and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, which includes the form of Articles Supplementary of the Series B Junior Participating Preferred Stock of Kilroy Realty Corporation as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C(9)
4.17	Registration Rights Agreement, dated as of December 9, 1999(7)
4.18	First Amendment to Registration Rights Agreement of December 9, 1999 dated as of December 30, 1999(10)
4.19	Registration Rights Agreement, dated as of October 6, 2000(11)
4.20	Registration Rights Agreement, dated as of March 25, 2002(12)
**5.1	Opinion of Ballard Spahr Andrews & Ingersoll, LLP
*8.1	Opinion of Latham & Watkins as to tax matters.
**23.1	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)
*23.2	Consent of Deloitte & Touche LLP
*23.3	Consent of Latham & Watkins (included in Exhibit 8.1)
**24.1	Power of Attorney

* filed herewith

** previously filed

(1) Previously filed as an exhibit to the Registration Statement on Form S-11 (No. 333-15553) as declared effective on January 28, 1997 and incorporated herein by reference.

(2) Previously filed as an exhibit to the Registrant s Current Report on Form 8-K dated February 6, 1998 and incorporated herein by reference.

(3) Previously filed as an exhibit to the Current Report on Form 8-K (No. 1-12675) dated April 20, 1998 and incorporated herein by reference.

(4) Previously filed as an exhibit to the Registration Statement on Form S-3 (No. 333-72229) as declared effective on September 13, 1999 and incorporated herein by reference.

(5) Previously filed as an exhibit to the Registration Statement on Form S-3 (No. 333-89151) dated October 15, 1999 and incorporated herein by reference.

(6) Previously filed as an exhibit to the Current Report on Form 8-K (No. 1-12675) dated November 24, 1998 and incorporated herein by reference.

(7) Previously filed as an exhibit to the Annual Report on Form 10-K (No. 1-12675) dated December 31, 1999 and incorporated herein by reference.

(8) Previously filed as an exhibit to the Current Report on Form 8-K/A dated October 29, 1997 and incorporated herein by reference.

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(10) Previously filed as an exhibit to the Registration Statement on Form S-3 (No. 333-34638) dated April 12, 2000 and incorporated herein by reference.

(11) Previously filed as an exhibit to the Annual Report on Form 10-K (No. 1-12675) dated December 31, 2000 and incorporated herein by reference.

(12) Previously filed as an exhibit to the Registration Statement on Form S-3 (No. 333-104320) dated June 4, 2003 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on this 23rd day of October, 2003.

KILROY REALTY CORPORATION

By: /s/ ANN MARIE WHITNEY

Ann Marie Whitney

Senior Vice President and Controller

Pursuant to the requirements of the Securities Act of 33, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* **John B. Kilroy, Sr.**	Chairman of the Board	October 23, 2003
* **John B. Kilroy, Jr.**	President, Chief Executive Officer and Director (Principal Executive Officer)	October 23, 2003
* **John R. D Eathe**	Director	October 23, 2003
* **Matthew J. Hart**	Director	October 23, 2003
* **William P. Dickey**	Director	October 23, 2003
* **Dale F. Kinsella**	Director	October 23, 2003

* **Richard E. Moran Jr.**	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	October 23, 2003
/s/ Ann Marie Whitney **Ann Marie Whitney**	Senior Vice President and Controller (Principal Accounting Officer)	October 23, 2003

By: /s/ Ann Marie Whitney

Ann Marie Whitney

Attorney-in-Fact

EXHIBIT INDEX

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)

(7,807
)
Segment operating loss
(5,767
)

(20,233
)
Transaction expenses
1,336

628

Gain on disposal of assets and other
(397
)

(246
)
Operating loss
$
(6,706
)

$
(20,615
)

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

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

	March 31, 2018	December 31, 2017
Drilling & Subsea	$651,571	$ 645,254
Completions	1,225,071	1,202,379
Production & Infrastructure	245,047	251,685
Corporate	60,816	95,910
Total assets	$2,182,505	$ 2,195,228

Corporate assets include, among other items, cash, prepaid assets and deferred financing costs.
The following table presents our revenues disaggregated by product line (in thousands):

	Three Months Ended March 31,	
	2018	2017
Drilling Technologies	$42,768	$45,143
Subsea Technologies	9,580	16,733
Downhole Technologies	24,527	16,614
Stimulation and Intervention	50,987	25,776
Coiled Tubing	36,994	—
Production Equipment	31,456	24,721
Valve Solutions	54,965	42,858
Eliminations	(1,046)	(749)
Total revenue	$250,231	$171,096

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

	Three Months Ended March 31,	
	2018	2017
United States	$190,064	$127,325
Canada	19,194	13,470
Europe & Africa	13,890	16,727
Middle East	10,570	4,359
Asia-Pacific	8,850	5,382
Latin America	7,663	3,833
Total Revenue	$250,231	$171,096

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, the reasonably anticipated costs and expenses in connection with such 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 March 31, 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.

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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 March 31,	
	2018	2017
Net income (loss)	$28,066	$(15,768)
Basic - weighted average shares outstanding	108,423	95,860
Dilutive effect of stock options and restricted stock	2,434	—
Diluted - weighted average shares outstanding	110,857	95,860
Earnings (loss) per share		
Basic	$0.26	$(0.16)
Diluted	$0.25	$(0.16)

The calculation of diluted earnings per share excludes approximately 3.3 million shares that were anti-dilutive for the three months ended March 31, 2018. The calculation of diluted loss per share excludes all potentially dilutive shares for the three months ended March 31, 2017 because there was a net loss for the period.

13. Stockholders' Equity

Share-based compensation

During the three months ended March 31, 2018, the Company granted 504,930 stock options, 1,152,294 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 1,152,294 shares of restricted stock and restricted stock units include 1,039,794 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.

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

15. 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)

	Three months ended March 31, 2018				
	FET (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Net sales	$—	$ 218,949	$ 43,753	$ (12,471)	$ 250,231
Cost of sales	—	159,305	35,898	(12,259)	182,944
Gross profit	—	59,644	7,855	(212)	67,287
Operating expenses					
Selling, general and administrative expenses	—	60,073	12,018	—	72,091
Transaction expenses	—	1,329	7	—	1,336
Loss (gain) on disposal of assets and other	—	(631)	234	—	(397)
Total operating expenses	—	60,771	12,259	—	73,030
Loss from equity investment	—	(10)	(953)	—	(963)
Equity earnings from affiliate, net of tax	34,321	28,307	—	(62,628)	—
Operating income (loss)	34,321	27,170	(5,357)	(62,840)	(6,706)
Other expense (income)					
Interest expense (income)	7,918	343	(174)	—	8,087
Foreign exchange losses and other, net	—	—	3,551	—	3,551
(Gain) loss on contribution of subsea rentals business	—	5,856	(39,362)	—	(33,506)
Total other expense (income)	7,918	6,199	(35,985)	—	(21,868)
Income before income taxes	26,403	20,971	30,628	(62,840)	15,162
Income tax expense (benefit)	(1,663)	(13,350)	2,109	—	(12,904)
Net income	28,066	34,321	28,519	(62,840)	28,066
Other comprehensive income, net of tax:					
Net income	28,066	34,321	28,519	(62,840)	28,066
Change in foreign currency translation, net of tax of $0	6,287	6,287	6,287	(12,574)	6,287
Change in pension liability	16	16	16	(32)	16
Comprehensive income	$34,369	$ 40,624	$ 34,822	$ (75,446)	$ 34,369

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

Condensed consolidating statements of comprehensive income (loss)

	Three months ended March 31, 2017				
	FET (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Net sales	$—	$ 142,736	$ 46,402	$ (18,042)	$ 171,096
Cost of sales	—	110,240	39,395	(17,518)	132,117
Gross profit	—	32,496	7,007	(524)	38,979
Operating expenses					
Selling, general and administrative expenses	—	48,063	12,611	—	60,674
Transaction Expense	—	517	111	—	628
Loss (gain) on disposal of assets and other	—	(270)	24	—	(246)
Total operating expenses	—	48,310	12,746	—	61,056
Earnings from equity investment	—	1,462	—	—	1,462
Equity earnings from affiliates, net of tax	(11,435)	(5,126)	—	16,561	—
Operating loss	(11,435)	(19,478)	(5,739)	16,037	(20,615)
Other expense (income)					
Interest expense (income)	6,666	(27)	(59)	—	6,580
Foreign exchange losses (gains) and other, net	—	(137)	1,683	—	1,546
Total other expense (income)	6,666	(164)	1,624	—	8,126
Loss before income taxes	(18,101)	(19,314)	(7,363)	16,037	(28,741)
Income tax benefit	(2,333)	(7,879)	(2,761)	—	(12,973)
Net loss	(15,768)	(11,435)	(4,602)	16,037	(15,768)
Other comprehensive income (loss), net of tax:					
Net loss	(15,768)	(11,435)	(4,602)	16,037	(15,768)
Change in foreign currency translation, net of tax of $0	7,222	7,222	7,222	(14,444)	7,222
Change in pension liability	(15)	(15)	(15)	30	(15)
Comprehensive income (loss)	$(8,561)	$ (4,228)	$ 2,605	$ 1,623	$ (8,561)

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

Condensed consolidating balance sheets

	March 31, 2018				
	FET (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Assets					
Current assets					
Cash and cash equivalents	$484	$27,946	$ 13,910	$—	$42,340
Accounts receivable—trade, net	—	165,928	29,021	—	194,949
Inventories, net	—	403,196	74,716	(9,016)	468,896
Prepaid expenses and other current assets	—	22,822	10,041	—	32,863
Accrued revenue	—	—	2,860	—	2,860
Cost and estimated profits in excess of billings	—	11,981	75	—	12,056
Total current assets	484	631,873	130,623	(9,016)	753,964
Property and equipment, net of accumulated depreciation	—	162,012	22,514	—	184,526
Deferred financing costs, net	2,692	—	—	—	2,692
Intangible assets	—	374,864	51,880	—	426,744
Goodwill	—	599,820	157,981	—	757,801
Investment in unconsolidated subsidiary	—	1,923	41,163	—	43,086
Deferred income taxes, net	—	671	3,344	—	4,015
Other long-term assets	—	4,407	5,270	—	9,677
Investment in affiliates	1,290,210	429,493	—	(1,719,703)	—
Long-term advances to affiliates	622,735	—	89,304	(712,039)	—
Total assets	$1,916,121	$2,205,063	$ 502,079	$(2,440,758)	$2,182,505
Liabilities and equity					
Current liabilities					
Current portion of long-term debt	$—	$1,052	$ 81	$—	$1,133
Accounts payable—trade	—	124,861	19,036	—	143,897
Accrued liabilities	12,927	37,326	12,503	—	62,756
Deferred revenue	—	4,175	4,439	—	8,614
Billings in excess of costs and profits recognized	—	370	446	—	816
Total current liabilities	12,927	167,784	36,505	—	217,216
Long-term debt, net of current portion	456,338	212	27	—	456,577
Deferred income taxes, net	—	20,266	8,902	—	29,168
Other long-term liabilities	—	14,552	18,136	—	32,688
Long-term payables to affiliates	—	712,039	—	(712,039)	—
Total liabilities	469,265	914,853	63,570	(712,039)	735,649
Total equity	1,446,856	1,290,210	438,509	(1,728,719)	1,446,856
Total liabilities and equity	$1,916,121	$2,205,063	$ 502,079	$(2,440,758)	$2,182,505

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

Condensed consolidating balance sheets

	December 31, 2017				
	FET (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Assets					
Current assets					
Cash and cash equivalents	$—	$ 73,981	$ 41,235	$—	$ 115,216
Accounts receivable—trade, net	—	168,162	34,752	—	202,914
Inventories	—	374,527	77,454	(8,804)	443,177
Other current assets	—	12,679	6,811	—	19,490
Cost and profits in excess of billings	—	9,584	—	—	9,584
Total current assets	—	638,933	160,252	(8,804)	790,381
Property and equipment, net of accumulated depreciation	—	167,407	29,874	—	197,281
Deferred financing costs, net	2,900	—	—	—	2,900
Intangible assets	—	390,752	52,312	—	443,064
Goodwill	—	599,677	155,568	—	755,245
Investment in unconsolidated subsidiary	—	—	—	—	—
Deferred income taxes, net	—	—	3,344	—	3,344
Other long-term assets	—	2,086	927	—	3,013
Investment in affiliates	1,250,593	418,799	—	(1,669,392)	—
Long-term advances to affiliates	667,968	—	90,524	(758,492)	—
Total assets	$ 1,921,461	$ 2,217,654	$ 492,801	$ (2,436,688)	$ 2,195,228
Liabilities and equity					
Current liabilities					
Current portion of long-term debt	$—	$ 1,048	$ 108	$—	$ 1,156
Accounts payable—trade	—	117,158	20,526	—	137,684
Accrued liabilities	6,638	46,962	13,165	—	66,765
Deferred revenue	—	4,455	4,364	—	8,819
Billings in excess of costs and profits recognized	—	1,394	487	—	1,881
Total current liabilities	6,638	171,017	38,650	—	216,305
Long-term debt, net of current portion	505,807	908	35	—	506,750
Deferred income taxes, net	—	22,737	8,495	—	31,232
Other long-term liabilities	—	13,907	18,018	—	31,925
Long-term payables to affiliates	—	758,492	—	(758,492)	—
Total liabilities	512,445	967,061	65,198	(758,492)	786,212
Total equity	1,409,016	1,250,593	427,603	(1,678,196)	1,409,016
Total liabilities and equity	$ 1,921,461	$ 2,217,654	$ 492,801	$ (2,436,688)	$ 2,195,228

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

Condensed consolidating statements of cash flows

	Three months ended March 31, 2018				
	FET (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Cash flows from operating activities	$7,196	$ 3,050	$ (5,618)	$ (23,950)	$ (19,322)
Cash flows from investing activities					
Capital expenditures for property and equipment	—	(3,944)	(1,136)	—	(5,080)
Long-term loans and advances to affiliates	45,234	—	—	(45,234)	—
Proceeds from sale of business, property and equipment	—	785	4,289	—	5,074
Net cash provided by (used in) investing activities	$45,234	$ (3,159)	$ 3,153	$ (45,234)	$ (6)
Cash flows from financing activities					
Repayments of debt	(50,000)	(692)	(37)	—	(50,729)
Long-term loans and advances to affiliates	—	(45,234)	—	45,234	—
Dividend paid to affiliates	—	—	(23,950)	23,950	—
Repurchases of stock	(1,946)	—	—	—	(1,946)
Net cash used in financing activities	$(51,946)	$ (45,926)	$ (23,987)	$ 69,184	$ (52,675)
Effect of exchange rate changes on cash	—	—	(873)	—	(873)
Net increase (decrease) in cash and cash equivalents	484	(46,035)	(27,325)	—	(72,876)
Cash and cash equivalents					
Beginning of period	—	73,981	41,235	—	115,216
End of period	$484	$ 27,946	$ 13,910	$ —	$ 42,340

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

Condensed consolidating statements of cash flows

	Three months ended March 31, 2017				
	FET (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Cash flows from operating activities	$374	$ (13,349)	$ (2,031)	$ —	$ (15,006)
Cash flows from investing activities					
Acquisition of businesses, net of cash acquired	—	(8,738)	—	—	(8,738)
Capital expenditures for property and equipment	—	(3,285)	(183)	—	(3,468)
Investment in unconsolidated subsidiary	—	(1,041)	—	—	(1,041)
Long-term loans and advances to affiliates	2,310	7,319	—	(9,629)	—
Proceeds from sale of business, property and equipment	—	40	—	—	40
Net cash provided by (used in) investing activities	$2,310	$ (5,705)	$ (183)	$ (9,629)	$ (13,207)
Cash flows from financing activities					
Repayments of debt	—	(868)	(23)	—	(891)
Long-term loans and advances to affiliates	—	(2,310)	(7,319)	9,629	—
Repurchases of stock	(4,403)	—	—	—	(4,403)
Proceeds from stock issuance	1,757	—	—	—	1,757
Net cash used in financing activities	$(2,646)	$ (3,178)	$ (7,342)	$ 9,629	$ (3,537)
Effect of exchange rate changes on cash	—	—	2,242	—	2,242
Net increase (decrease) in cash and cash equivalents	38	(22,232)	(7,314)	—	(29,508)
Cash and cash equivalents					
Beginning of period	65	143,275	91,082	—	234,422
End of period	$103	$ 121,043	$ 83,768	$ —	$ 204,914

Item 2. Management’s discussion and analysis of financial condition and results of operations

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control. All statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “continue,” “potential,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about:

- business strategy;
- cash flows and liquidity;
- the volatility and impact of fluctuations in oil and natural gas prices;
- the availability of raw materials and specialized equipment, including as a result of the potential application of tariffs by governmental authorities;
- our ability to accurately predict customer demand;
- customer order cancellations or deferrals;
- competition in the oil and gas industry;
- governmental regulation and taxation of the oil and natural gas industry;
- environmental liabilities;
- political, social and economic issues affecting the countries in which we do business;
- our ability to deliver our backlog in a timely fashion;
- our ability to implement new technologies and services;
- availability and terms of capital;
- general economic conditions;
- our ability to successfully manage our growth, including risks and uncertainties associated with integrating and retaining key employees of the businesses we acquire;
- benefits of our acquisitions;
- availability of key management personnel;
- availability of skilled and qualified labor;
- operating hazards inherent in our industry;
- the continued influence of our largest shareholder;
- the ability to establish and maintain effective internal control over financial reporting;
- effects of remediation efforts to address the material weakness discussed in “Item 4. Controls and Procedures;”
- financial strategy, budget, projections and operating results;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 27, 2018, and elsewhere in this Quarterly Report on Form 10-Q. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Overview

We are a global oilfield products company, serving the drilling, subsea, completion, production and infrastructure sectors of the oil and natural gas industry. We design, manufacture and distribute products, and engage in aftermarket services, parts supply and related services that complement our product offering. Our product offering includes a mix of frequently replaced consumable products and highly engineered capital products that are used in the exploration, development, production and transportation of oil and natural gas. Our consumable products are used in drilling, well construction and completions activities, within the supporting infrastructure, and at processing centers and refineries. Our engineered capital products are directed at: drilling rig equipment for new rigs, upgrades and refurbishment projects; subsea construction and development projects; the placement of production equipment on new producing wells; pressure pumping equipment; and downstream capital projects. In 2017, approximately 80% of our revenue was derived from consumable products and activity-based equipment, while the balance was primarily derived from capital products with a small amount from rental and other services.

We seek to design, manufacture and supply reliable products that create value for our diverse customer base, which includes, among others, oil and natural gas operators, land and offshore drilling contractors, oilfield service companies, subsea construction and service companies, and pipeline and refinery operators.

We operate three business segments that cover all stages of the well cycle. A summary of the products and services offered by each segment is as follows:

- Drilling & Subsea segment. This segment designs and manufactures products and provides related services to the drilling, energy subsea construction and services markets, and other markets such as alternative energy, defense and communications. The products and related services consist primarily of: (i) capital equipment and a broad line of expendable drilling products consumed in the drilling process; and (ii) subsea remotely operated vehicles and trenchers, specialty components and tooling, products used in subsea pipeline infrastructure, and a broad suite of complementary subsea technical services and rental items.
- Completions segment. This segment designs, manufactures and supplies products and provides related services to the well construction, completion, stimulation and intervention markets. The products and related services consist primarily of: (i) well construction casing and cementing equipment, cable protectors used in completions, composite plugs used for zonal isolation in hydraulic fracturing and wireline flow-control products; and (ii) capital and consumable products sold to the pressure pumping, hydraulic fracturing and flowback services markets, including hydraulic fracturing pumps, pump consumables and flow iron as well as coiled tubing, wireline cable, and pressure control equipment used in the well completion and intervention service markets.
- Production & Infrastructure segment. This segment designs, manufactures and supplies products and provides related equipment and services for production and infrastructure markets. The products and related services consist primarily of: (i) engineered process systems, production equipment and related field services, as well as oil and produced water treatment equipment; and (ii) a wide range of industrial valves focused on serving upstream, midstream, and downstream oil and natural gas customers as well as power and other general industries.

Market Conditions

The level of demand for our products is directly related to activity levels and the capital and operating budgets of our customers, which in turn are influenced heavily by energy prices and the expectation as to future trends in those prices. In addition, the availability of capital equipment adequate to serve exploration and production requirements, or lack thereof, drives demand for our capital equipment products.

The probability of any cyclical change in energy prices and the extent and duration of such a change are difficult to predict. In November 2016, the Organization of Petroleum Exporting Countries (“OPEC”) and other unaffiliated countries announced that their production levels would be capped or reduced. In November 2017, the OPEC coalition agreed to extend the reductions through year end 2018. Oil prices have continued to strengthen since the beginning of 2018 and have recently risen to a level last seen in 2015. However, prices for the sale and purchase of oil in future years have not increased substantially during the same period, indicating doubt in the market as to the sustainability of current prices. These increases in current prices have led to higher drilling and completions activity and higher spending by our customers, primarily in North America. The volume of rigs drilling for oil and natural gas in North America is a driver for our revenue from this region, and the number of those rigs has increased substantially from the low point reached in the second quarter of 2016. Exploration and production operators continue to have improved well economics derived from concentrating activity in basins with the best returns on investment and employing enhanced drilling and completion techniques. This increased activity resulted in increases in our revenues and orders in 2017 through the first quarter of 2018, principally from the sale of consumable equipment. The existence of new or refurbished capital equipment adequate to serve the needs of the industry, such as onshore and offshore drilling rigs, limits demand in that area of the market. In addition, drilling and completions activity in higher cost areas, especially offshore and in some international regions, is lagging the North America onshore activity recovery.

The table below shows average crude oil and natural gas prices for West Texas Intermediate crude oil ("WTI"), United Kingdom Brent crude oil ("Brent"), and Henry Hub natural gas:

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Average global oil, $/bbl			
West Texas Intermediate	$62.91	$ 55.27	$51.62
United Kingdom Brent	$66.86	$ 61.40	$53.59
Average North American Natural Gas, $/Mcf			
Henry Hub	$3.08	$ 2.91	$3.02

Average WTI and Brent oil prices were 14% and 9% higher, respectively, in the first quarter of 2018 compared to the fourth quarter of 2017, and were 22% and 25% higher, respectively, compared to the first quarter of 2017. Average natural gas prices were 6% higher in the first quarter of 2018 compared to the fourth quarter of 2017, and 2% higher compared to the first quarter of 2017.

The table below shows the average number of active drilling rigs, based on the weekly Baker Hughes Incorporated rig count, operating by geographic area and drilling for different purposes.

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Active Rigs by Location			
United States	966	921	742
Canada	269	204	295
International	970	949	939
Global Active Rigs	2,205	2,074	1,976
Land vs. Offshore Rigs			
Land	1,995	1,859	1,754
Offshore	210	215	222
Global Active Rigs	2,205	2,074	1,976
U.S. Commodity Target			
Oil/Gas	781	742	593
Gas	185	179	148
Unclassified	—	—	1
Total U.S. Active Rigs	966	921	742
U.S. Well Path			
Horizontal	833	785	610
Vertical	63	63	69
Directional	70	73	63
Total U.S. Active Rigs	966	921	742

As a result of higher oil and natural gas prices, the average U.S. rig count for the first quarter of 2018 increased 5% compared to the fourth quarter of 2017 and 30% compared to the first quarter of 2017. The U.S. rig count reached a trough of 404 rigs in the second quarter of 2016. Since then, the number of working rigs has increased steadily to 993 rigs as of the end of March 2018. A substantial portion of our revenue is impacted by the level of rig activity and the number of wells completed. While the U.S. land rig count has continued to recover, it remains low compared to historical norms.

The table below shows the amount of total inbound orders by segment:

(in millions of dollars)	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Drilling & Subsea	$53.1	$ 49.6	$68.4
Completions	111.1	101.1	50.1
Production & Infrastructure	96.8	80.8	75.4
Total Orders	$261.0	$ 231.5	$193.9

Three months ended March 31, 2018 compared with three months ended March 31, 2017

	Three Months Ended March 31,		Favorable / (Unfavorable)	
	2018	2017	$	%
(in thousands of dollars, except per share information)				
Revenue:				
Drilling & Subsea	$52,348	$61,876	$(9,528)	(15.4)%
Completions	112,508	42,390	70,118	165.4 %
Production & Infrastructure	86,421	67,579	18,842	27.9 %
Eliminations	(1,046)	(749)	(297)	*
Total revenue	250,231	171,096	79,135	46.3 %
Operating loss:				
Drilling & Subsea	(10,206)	(8,341)	(1,865)	(22.4)%
Operating margin %	(19.5)%	(13.5)%		
Completions	8,857	(3,516)	12,373	351.9 %
Operating margin %	7.9 %	(8.3)%		
Production & Infrastructure	4,162	(569)	4,731	831.5 %
Operating margin %	4.8 %	(0.8)%		
Corporate	(8,580)	(7,807)	(773)	(9.9)%
Total segment operating loss	(5,767)	(20,233)	14,466	71.5 %
Operating margin %	(2.3)%	(11.8)%		
Transaction expenses	1,336	628	708	*
Gain on disposal of assets and other	(397)	(246)	(151)	*
Operating loss	(6,706)	(20,615)	13,909	67.5 %
Interest expense	8,087	6,580	(1,507)	(22.9)%
Foreign exchange losses and other, net	3,551	1,546	(2,005)	(129.7)%
Gain on contribution of subsea rentals business	(33,506)	—	33,506	*
Total other (income) expense, net	(21,868)	8,126	29,994	369.1 %
Income (loss) before income taxes	15,162	(28,741)	43,903	152.8 %
Income tax benefit	(12,904)	(12,973)	(69)	(0.5)%
Net income (loss)	$28,066	$(15,768)	$43,834	278.0 %
Weighted average shares outstanding				
Basic	108,423	95,860		
Diluted	110,857	95,860		
Earnings (loss) per share				
Basic	$0.26	$(0.16)		
Diluted	$0.25	$(0.16)		

* not meaningful

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We made two acquisitions in the second half of 2017. In addition, we contributed our subsea rentals business into Ashtead in exchange for a 40% interest in the combined business in the first quarter of 2018. Due to these changes, our results of operations for the first quarter of 2018 may not be comparable to historical results of operations for the first quarter of 2017 period. Refer to Note 4 Acquisitions & Dispositions for additional information.

Revenue

Our revenue for the three months ended March 31, 2018 increased $79.1 million, or 46.3%, to $250.2 million compared to the three months ended March 31, 2017. In general, the increase in revenue is due to the higher market activity resulting from higher commodity prices. For the three months ended March 31, 2018, our Drilling & Subsea, Completions, and Production & Infrastructure segments comprised 20.9%, 44.6%, and 34.5% of our total revenue, respectively, which compared to 36.2%, 24.3%, and 39.5% of total revenue, respectively, for the three months ended March 31, 2017. The changes in revenue by operating segment consisted of the following:

Drilling & Subsea segment — Revenue decreased $9.5 million, or 15.4%, to $52.3 million in the three months ended March 31, 2018 compared to the three months ended March 31, 2017. Approximately $7.2 million of the decrease relates to lower sales of our subsea products due to the contribution of our subsea rentals business into Ashtead in exchange for a 40% interest in the combined business as well as lower sales volumes for our remotely operated subsea vehicles and associated products, which was largely attributable to reduced investment in global offshore projects. The remaining decrease relates to our drilling products, which had particularly strong sales volumes in the first quarter of 2017 related to rig mud pump upgrades as a result of the steep increase in U.S. rig count in early 2017.

Completions segment — Revenue increased $70.1 million, or 165.4%, to $112.5 million in the three months ended March 31, 2018 compared to the three months ended March 31, 2017. Segment revenue in 2018 includes $37.0 million of revenue from the fourth quarter 2017 acquisition of the remaining membership interest of Global Tubing and $5.2 million from the third quarter 2017 acquisition of Multilift. Refer to Note 4 Acquisitions & Dispositions for additional information. The remaining increase is primarily related to $25.2 million of higher sales volumes for our well stimulation and intervention products, particularly North America sales of pressure control equipment and other products used in the well completion and intervention service market, driven by an increase in drilling and completions spending of exploration and production companies.

Production & Infrastructure segment — Revenue increased $18.8 million, or 27.9%, to $86.4 million in the three months ended March 31, 2018 compared to the three months ended March 31, 2017. The increase in drilling and completions budgets of exploration and production companies and resulting infrastructure spending have led to increased sales of our valve products and surface production equipment. Approximately $12.1 million of the increase is due to higher sales volumes of valve products, particularly sales into the North America oil and gas market. The remaining increase is attributable to higher sales volumes of our activity-based surface production equipment to exploration and production operators.

Segment operating loss and segment operating margin percentage

Segment operating loss for the three months ended March 31, 2018, improved $14.5 million from a loss of $20.2 million for the three months ended March 31, 2017 to a loss of $5.8 million for the three months ended March 31, 2018. For the three months ended March 31, 2018, the segment operating margin percentage of (2.3)% represents an improvement from the (11.8)% operating margin percentage for three months ended March 31, 2017. The segment operating margin percentage is calculated by dividing segment operating loss by revenue for the period. The change in operating margin percentage for each segment is explained as follows:

Drilling & Subsea segment — The operating margin percentage for this segment was (19.5)% for the three months ended March 31, 2018 compared to (13.5)% for the three months ended March 31, 2017. The primary driver for this decrease in operating margin percentage is lower activity levels as discussed above, particularly our capital products, which caused a loss of manufacturing scale efficiencies.

Completions segment — The operating margin percentage for this segment improved to 7.9% for the three months ended March 31, 2018, from (8.3)% for the three months ended March 31, 2017. The improvement in operating margin percentage is due to increased operating leverage on higher volumes, especially on consumable flow equipment sold to pressure pumping service companies. In addition, operating margin was positively impacted by the late 2017 acquisition of the remaining ownership interest of Global Tubing which was previously reported as an equity method investment in the first quarter of 2017. Results for the three months ended March 31, 2018 also included a $2.5 million charge for a write-down of obsolete product inventory.

Production & Infrastructure segment — The operating margin percentage for this segment improved to 4.8% for the three months ended March 31, 2018, from (0.8)% for the three months ended March 31, 2017. The improvement in

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operating margin percentage is driven by increased operating leverage on higher sales volumes for our valves products partially offset by incremental costs associated with international expansion and lower margins on sales of surface production equipment.

Corporate — Selling, general and administrative expenses for Corporate increased by $0.8 million, or 9.9% to $8.6 million, for the three months ended March 31, 2018 compared to the three months ended March 31, 2017, due to higher personnel costs. Corporate costs include, among other items, payroll related costs for general management and management of finance and administration, legal, human resources; professional fees for legal, accounting and related services; and marketing costs.

Other items not included in segment operating loss

Several items are not included in segment operating loss, but are included in total operating loss. These items include transaction expenses and gains and losses on the disposal of assets. Transaction expenses relate to legal and other advisory costs incurred in acquiring businesses and are not considered to be part of segment operating loss. These costs were $1.3 million for the three months ended March 31, 2018 and $0.6 million for the three months ended March 31, 2017.

Other income and expense

Other income and expense includes interest expense, foreign exchange gains and losses and a gain recognized on the contribution of our subsea rentals business. We incurred $8.1 million of interest expense during the three months ended March 31, 2018, an increase of $1.5 million from three months ended March 31, 2017 primarily due to an increase in outstanding borrowings under our revolving line of credit. The foreign exchange losses are primarily the result of movements in the British pound and the Euro relative to the U.S. dollar. These movements in exchange rates create foreign exchange gains or losses when applied to monetary assets or liabilities denominated in currencies other than the location’s functional currency, primarily U.S. dollar denominated cash, trade account receivables and net intercompany receivable balances for our entities using a functional currency other than the U.S. dollar. 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. Refer to Note 4 Acquisitions & Dispositions for additional information.

Taxes

The effective tax rate, calculated by dividing total tax benefit by income (loss) before income taxes, was a benefit of 85.1% for three months ended March 31, 2018 compared to a benefit of 45.1% for the three months ended March 31, 2017. The effective tax rate for 2018 is significantly different than the comparable period in 2017 primarily due to the reduction in the U.S. corporate income tax rate as well as a benefit related to the adjustment of the provisional tax impact of tax reform initially recorded in the prior quarter. Furthermore, the effective tax rate 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 have updated these provisional amounts in the first quarter of 2018 based on additional guidance recently issued by the U.S. Internal Revenue Service resulting in an income tax benefit of $16.2 million in the quarter. This adjustment to our provisional estimate of the effects of U.S. Tax Reform results in an overall benefit of $6.1 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.

Liquidity and capital resources
Sources and uses of liquidity
Our internal sources of liquidity are cash on hand and cash flows from operations, while our primary external sources include trade credit and our credit facility and senior notes described below. Our primary uses of capital have been for acquisitions, ongoing maintenance and growth capital expenditures, inventories and sales on credit to our customers. We continually monitor potential capital sources, including equity and debt financing, to meet our investment and target liquidity requirements. Our future success and growth will be highly dependent on our ability to continue to access outside sources of capital.
At March 31, 2018, we had cash and cash equivalents of $42.3 million and total debt of $457.7 million. We believe that cash on hand and cash generated from operations will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations for the foreseeable future.
Our total 2018 capital expenditure budget is approximately $35.0 million, which consists of, among other items, investments in certain manufacturing facilities, replacing end of life machinery and equipment, continuing the implementation of our enterprise resource planning solution globally, and general capital expenditures. This budget does not include expenditures for potential business acquisitions. We believe cash flows from operations should be sufficient to fund our capital requirements for 2018.
Although we do not budget for acquisitions, pursuing growth through acquisitions is a significant part of our business strategy. We expanded and diversified our product portfolio with the acquisition of three businesses in 2017 for total cash and stock consideration of approximately $340.7 million, net of cash acquired. For additional information, see Note 4 Acquisitions & Dispositions. We continue to actively review acquisition opportunities on an ongoing basis, and we may fund future acquisitions with cash and/or equity. Our ability to make significant additional acquisitions for cash may require us to pursue additional equity or debt financing, which we may not be able to obtain on terms acceptable to us or at all.
Our cash flows for the three months ended March 31, 2018 and 2017 are presented below (in millions):

	Three months ended March 31,	
	2018	2017
Net cash used in operating activities	$(19.3)	$(15.0)
Net cash used in investing activities	—	(13.2)
Net cash used in financing activities	(52.7)	(3.5)
Effect of exchange rate changes on cash	(0.9)	2.2
Net decrease in cash, cash equivalents and restricted cash	$(72.9)	$(29.5)

Net cash used in operating activities
Net cash used in operating activities was $19.3 million and $15.0 million for the three months ended March 31, 2018 and 2017, respectively. Due to improved operating results, net income adjusted for non-cash items provided $19.7 million of cash for the three months ended March 31, 2018 as compared to $9.6 million of cash used for the same period in 2017. However, higher investments in working capital used cash of $39.1 million for the three months ended March 31, 2018 as compared to $5.4 million for the same period in 2017. The increase in working capital in the first three months of 2018 is primarily due to investments in inventory in anticipation of growth in market demand for our products.
Net cash used in investing activities
Net cash used in investing activities was approximately zero and $13.2 million for the three months ended March 31, 2018 and 2017, respectively. The decrease was primarily due to $5.1 million of proceeds from the sale of business, property and equipment in the three months ended March 31, 2018 as compared to $8.7 million of cash consideration paid for an acquisition in the first quarter of 2017. Capital expenditures for the three months ended March 31, 2018 were $5.1 million as compared to $3.5 million for the comparable prior period.

Net cash used in financing activities

Net cash used in financing activities was $52.7 million and $3.5 million for the three months ended March 31, 2018 and 2017, respectively. The increase primarily resulted from a $49.8 million increase in repayments of debt in the three months ended March 31, 2018 as compared to the same period in 2017.

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 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 the Credit Facility to, among other things, increase revolving credit commitments from $140.0 million to $300.0 million, including up to $30.0 million available to certain Canadian subsidiaries of the Company for loans in United States or Canadian dollars, $25.0 million available for letters of credit issued for the account of the Company and certain of its domestic subsidiaries and $3.0 million available for letters of credit issued for the account of Canadian subsidiaries of the Company. Availability under the Credit Facility is subject to a borrowing base calculated by reference to eligible accounts receivable in the United States, Canada and certain other jurisdictions (subject to a cap) and eligible inventory in the United States and Canada. Our borrowing capacity under the Credit Facility could be reduced or eliminated, depending on future receivables and fluctuations in our inventory. 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 2017 Credit Facility will automatically extend to October 2022.

If excess availability under the Credit Facility falls below the greater of 10.0% 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.

Off-balance sheet arrangements

As of March 31, 2018, we had no off-balance sheet instruments or financial arrangements, other than operating leases and letters of credit entered into in the ordinary course of business.

Contractual obligations

Except for net repayments under the Credit Facility, as of March 31, 2018, there have been no material changes in our contractual obligations and commitments disclosed in the Annual Report.

Critical accounting policies and estimates

Beginning January 1, 2018, we implemented ASC 606, Revenue from Contracts with Customers. Although the new revenue standard is not expected to have a material impact on our ongoing net income, we did implement new policies based on the five-step model provided in the new revenue standard and changes to our processes related to revenue recognition. There have been no other material changes in our critical accounting policies and procedures during the three months ended March 31, 2018.

For a detailed discussion of our critical accounting policies and estimates, refer to our 2017 Annual Report on Form 10-K. For recent accounting pronouncements, refer to Note 2 Recent Accounting Pronouncements.

Item 3. Quantitative and qualitative disclosures about market risk

We are currently exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk, but we do not enter into derivative transactions for speculative purposes.

There have been no significant changes to our market risk since December 31, 2017. For a discussion of our exposure to market risk, refer to Part II, Item 7(a), “Quantitative and Qualitative Disclosures About Market Risk,” in our 2017 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act). The Company’s disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of March 31, 2018. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2018 due to a previously disclosed material weakness in internal control over financial reporting as discussed below. This material weakness was identified and discussed in “Part II - Item 9A - Controls and Procedures” of our Annual Report on Form 10-K for the year ended December 31, 2017.

Notwithstanding this material weakness, our Chief Executive Officer and Chief Financial Officer have concluded that the consolidated financial statements included in this Form 10-Q fairly present, in all material respects, the financial position, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

In conducting management's evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2018, we have excluded Global Tubing, LLC, because it was acquired by the Company in a purchase business combination in the fourth quarter of 2017. The total assets and total revenues of Global Tubing, LLC, a wholly-owned subsidiary, constituted approximately 7% of our total consolidated assets as of March 31, 2018 and approximately 15% of our total consolidated revenues for the three months ended March 31, 2018.

Material Weakness in Internal Control Over Financial Reporting

We identified the following material weakness in the operation of our internal control over financial reporting:

As previously disclosed in our 2017 Annual Report on Form 10-K, we did not maintain effective controls over the development of fair value measurements utilized in the application of the acquisition method of accounting for business combinations, and for purposes of testing goodwill for impairment. Specifically, our review procedures over the development and application of inputs, assumptions, and calculations used in fair value measurements associated with business combinations and goodwill impairment testing did not operate at an appropriate level of precision commensurate with our financial reporting requirements. This control deficiency resulted in an adjustment to the gain realized upon the consolidation of Global Tubing, LLC which was recorded prior to the issuance of the Company’s consolidated financial statements as of and for the fiscal year ended December 31, 2017. Additionally, this control deficiency could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. This material weakness did not result in a restatement of any of the Company’s previously filed consolidated financial statements. As of the end of the period covered by this Form 10-Q, the identified material weakness has not been remediated; however, management has taken steps towards the remediation plan outlined below.

Remediation Plans

Our management, with oversight from our Audit Committee, has initiated a plan to remediate the material weakness previously identified in the Annual Report on Form 10-K for the period ended December 31, 2017. These plans include the implementation of additional controls and procedures to address the development of fair value measurements utilized in the application of the acquisition method of accounting for business combinations, and for purposes of testing goodwill for impairment. These new controls and procedures are in the process of being implemented and will be tested when we perform our annual goodwill impairment testing for the year ending December 31, 2018, or earlier should a business acquisition occur or an interim impairment assessment become necessary. Until management has

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tested the remediation and concluded that the controls are operating effectively as designed, the material weakness will continue to exist.

Changes in Internal Control over Financial Reporting

Beginning January 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers. Although the new revenue standard is not expected to have a material financial impact, we implemented changes to our processes related to revenue recognition and the control activities within them. These included the development of new policies based on the five-step model provided in the new revenue standard, ongoing contract review requirements and gathering of information provided for disclosures.

Except for the material weakness remediation efforts identified above and changes associated with the implementation of the new revenue standard noted above, there were no other changes in our internal control over financial reporting during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Information related to Item 1. Legal Proceedings is included in Note 11 Commitments and Contingencies, which is incorporated herein by reference.

Item 1A. Risk Factors

For additional information about our risk factors, see “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Following is a summary of our repurchases of our common stock during the three months ended March 31, 2018.

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plan or programs (b)	Maximum value of shares that may yet be purchased under the plan or program (in thousands) (b)
January 1, 2018 - January 31, 2018	2,187	$ 15.55	—	$ 49,752
February 1, 2018 - February 28, 2018	2,643	$ 12.00	—	$ 49,752
March 1, 2018 - March 31, 2018	—	$ —	—	$ 49,752
Total	4,830	$ 13.61	—	

(a) All of the 4,830 shares purchased during the three months ended March 31, 2018 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from the vesting of restricted stock grants. These shares were not part of a publicly announced program to purchase common stock.

(b) In October 2014, our board of directors approved a program for the repurchase of outstanding shares of our common stock with an aggregate purchase amount of up to $150 million. From the inception of this program through March 31, 2018, we have repurchased approximately 4.5 million shares of our common stock for aggregate consideration of approximately $100.2 million. Remaining authorization under this program is $49.8 million.

Acquisition of Innovative Valve Components

On January 9, 2017, we acquired all of the issued and outstanding partnership interests of Innovative Valve Components. As partial consideration for the acquisition we issued 196,249 shares of our common stock. On January 9, 2018, we issued 8,400 shares of our common stock in connection with the first anniversary of the closing pursuant to the terms of the purchase agreement. The issuance of our common stock was exempt from registration under the

Securities Act pursuant to Rule 4(a)(2) thereof and the safe harbor provided by Rule 506 of Regulation D promulgated thereunder.

Item 3. Defaults Upon Senior Securities
None.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
None.
Item 6. Exhibits

Exhibit Number	DESCRIPTION
10.1*	Severance Agreement, dated February 16, 2018, by and between Forum Energy Technologies, Inc. and Pablo G. Mercado (incorporated herein by reference to Exhibit 10.1 on the Company's Current Report on Form 8-K, filed on February 21, 2018).
10.2*	Severance Agreement, dated February 16, 2018, by and between Forum Energy Technologies, Inc. and Michael D. Danford (incorporated herein by reference to Exhibit 10.2 on the Company's Current Report on Form 8-K, filed on February 21, 2018).
10.3*	Employment Agreement, dated February 16, 2018, by and between Forum Energy Technologies, Inc. and C. Christopher Gaut (incorporated herein by reference to Exhibit 10.3 on the Company's Current Report on Form 8-K, filed on February 21, 2018).
10.4**	Form of Restricted Stock Agreement (Directors).
10.5**	Form of Restricted Stock Unit Agreement (Directors).
10.6**	Form of Restricted Stock Unit Agreement (Employees and Consultants - Group 1)
10.7**	Form of Restricted Stock Unit Agreement (Employees and Consultants - Group 2)
10.8**	Form of Nonstatutory Stock Option Agreement (Employees and Consultants)
10.9**	Form of Performance Share Award Agreement (Employees and Consultants)
31.1**	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.

101.PRE** —XBRL Taxonomy Extension Presentation Linkbase Document.

101.DEF** —XBRL Taxonomy Extension Definition Linkbase Document.
*Previously filed.
**Filed herewith.
***Furnished herewith.

SIGNATURES

As required by Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has authorized this report to be signed on its behalf by the undersigned authorized individuals.

		FORUM ENERGY TECHNOLOGIES, INC.
Date:	May 2, 2018	By: /s/ Pablo G. Mercado
		Pablo G. Mercado
		Senior Vice President and Chief Financial Officer
		(As Duly Authorized Officer and Principal Financial Officer)
		By: /s/ Tylar K. Schmitt
		Tylar K. Schmitt
		Vice President and Chief Accounting Officer
		(As Duly Authorized Officer and Principal Accounting Officer)

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