OIL STATES INTERNATIONAL, INC
Form 10-Q
April 27, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-16337

OIL STATES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 76-0476605 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas | 77002 |
| (Address of principal executive offices) | (Zip Code) |

(713) 652-0582
(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 [X] NO [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES [X] NO [ ]
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. (Check one):

| | |
|---|---|
| Large accelerated filer [X] | Accelerated filer [ ] |
| Non-accelerated filer [ ] (Do not check if a smaller reporting company) | Smaller reporting company [ ] |
| | Emerging growth company [ ] |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES [ ] NO [X]

As of April 23, 2018, the number of shares of common stock outstanding was 59,956,972.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

| | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Revenues: | | |
| Products | $128,826 | $73,180 |
| Service | 124,750 | 78,287 |
| | 253,576 | 151,467 |
| Costs and expenses: | | |
| Product costs | 92,976 | 50,350 |
| Service costs | 96,914 | 68,562 |
| Selling, general and administrative expense | 34,195 | 27,730 |
| Depreciation and amortization expense | 29,190 | 27,980 |
| Other operating expense, net | 1,215 | 169 |
| | 254,490 | 174,791 |
| Operating loss | (914) | (23,324) |
| Interest expense | (4,533) | (1,074) |
| Interest income | 79 | 85 |
| Other income (expense) | 647 | (3) |
| Loss before income taxes | (4,721) | (24,316) |
| Income tax benefit | 1,229 | 6,638 |
| Net loss | $(3,492) | $(17,678) |
| Net loss per share: | | |
| Basic | $(0.06) | $(0.35) |
| Diluted | (0.06) | (0.35) |
| Weighted average number of common shares outstanding: | | |
| Basic | 57,787 | 50,418 |
| Diluted | 57,787 | 50,418 |

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Net loss | $(3,492) | $(17,678) |
| | | |
| Other comprehensive income: | | |
| Currency translation adjustments | 5,034 | 3,494 |
| Comprehensive income (loss) | $1,542 | $(14,184) |

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $25,145 | $53,459 |
| Accounts receivable, net | 300,368 | 216,139 |
| Inventories, net | 204,211 | 168,285 |
| Prepaid expenses and other current assets | 23,913 | 18,054 |
| Total current assets | 553,637 | 455,937 |
| Property, plant, and equipment, net | 548,060 | 498,890 |
| Goodwill, net | 658,509 | 268,009 |
| Other intangible assets, net | 260,175 | 50,265 |
| Other noncurrent assets | 28,377 | 28,410 |
| Total assets | $2,048,758 | $1,301,511 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt and capitalized leases | $535 | $411 |
| Accounts payable | 60,663 | 49,089 |
| Accrued liabilities | 48,888 | 45,889 |
| Income taxes payable | 2,472 | 1,647 |
| Deferred revenue | 18,986 | 18,234 |
| Total current liabilities | 131,544 | 115,270 |
| Long-term debt and capitalized leases | 377,949 | 4,870 |
| Deferred income taxes | 58,047 | 24,718 |
| Other noncurrent liabilities | 25,203 | 23,940 |
| Total liabilities | 592,743 | 168,798 |
| Stockholders' equity: | | |
| Common stock, $.01 par value, 200,000,000 shares authorized, 71,734,557 shares and 62,721,698 shares issued, respectively | 717 | 627 |
| Additional paid-in capital | 1,080,216 | 754,607 |
| Retained earnings | 1,045,131 | 1,048,623 |
| Accumulated other comprehensive loss | (53,459) | (58,493) |
| Treasury stock, at cost, 11,777,131 and 11,632,276 shares, respectively | (616,590) | (612,651) |
| Total stockholders' equity | 1,456,015 | 1,132,713 |
| Total liabilities and stockholders' equity | $2,048,758 | $1,301,511 |

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In Thousands)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance, December 31, 2017 | $ 627 | $754,607 | $1,048,623 | $ (58,493) | $(612,651) | $1,132,713 |
| Net loss | — | — | (3,492) | — | — | (3,492) |
| Currency translation adjustments (excluding intercompany advances) | — | — | — | 5,104 | — | 5,104 |
| Currency translation adjustments on intercompany advances | — | — | — | (70) | — | (70) |
| Stock-based compensation expense: | | | | | | |
| Restricted stock | 3 | 4,940 | — | — | — | 4,943 |
| Stock options | — | 206 | — | — | — | 206 |
| Issuance of common stock in connection with GEODynamics acquisition | 87 | 294,823 | — | — | — | 294,910 |
| Issuance of 1.50% convertible senior notes | — | 25,640 | — | — | — | 25,640 |
| Surrender of stock to settle taxes on restricted stock awards | — | — | — | — | (3,939) | (3,939) |
| Balance, March 31, 2018 | $ 717 | $1,080,216 | $1,045,131 | $ (53,459) | $(616,590) | $1,456,015 |

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net loss | $(3,492) | $(17,678) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 29,190 | 27,980 |
| Stock-based compensation expense | 5,149 | 5,011 |
| Deferred income tax provision (benefit) | 1,807 | (7,782) |
| Provision for bad debt | 2,052 | 6 |
| Gain on disposals of assets | (493) | (61) |
| Amortization of deferred financing costs | 1,749 | 202 |
| Other, net | 9 | — |
| Changes in operating assets and liabilities, net of effect from acquired businesses: | | |
| Accounts receivable | (27,094) | 31,108 |
| Inventories | 1,719 | (1,805) |
| Accounts payable and accrued liabilities | (19,905) | (2,747) |
| Income taxes payable | 645 | (1,730) |
| Other operating assets and liabilities, net | (3,587) | (946) |
| Net cash flows provided by (used in) operating activities | (12,251) | 31,558 |
| | | |
| Cash flows from investing activities: | | |
| Capital expenditures | (14,238) | (5,817) |
| Acquisitions of businesses, net of cash acquired | (379,676) | (4,200) |
| Proceeds from disposition of property, plant and equipment | 540 | 234 |
| Other, net | (289) | (490) |
| Net cash flows used in investing activities | (393,663) | (10,273) |
| | | |
| Cash flows from financing activities: | | |
| Issuance of 1.50% convertible senior notes | 200,000 | — |
| Revolving credit facility borrowings | 622,369 | 46,788 |
| Revolving credit facility repayments | (434,369) | (66,603) |
| Other debt and capital lease repayments, net | (132) | (136) |
| Payment of financing costs | (6,712) | — |
| Share added to treasury stock as a result of net share settlements due to vesting of restricted stock | (3,939) | (5,170) |
| Net cash flows provided by (used in) financing activities | 377,217 | (25,121) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | 383 | 238 |
| Net change in cash and cash equivalents | (28,314) | (3,598) |
| Cash and cash equivalents, beginning of period | 53,459 | 68,800 |
| Cash and cash equivalents, end of period | $25,145 | $65,202 |

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Oil States International, Inc. and its subsidiaries (referred to in this report as “we” or the “Company”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “Commission”) pertaining to interim financial information. Certain information in footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to these rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of the results of operations for the interim periods covered and for the financial condition of the Company at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the full year. Certain prior-year amounts in the Company’s unaudited condensed consolidated financial statements have been reclassified to conform to the current year presentation.

The preparation of condensed consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. If the underlying estimates and assumptions, upon which the financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying condensed consolidated financial statements. Our industry is cyclical and this cyclicality impacts our estimates of the period over which future cash flows will be generated, as well as the predictability of these cash flows including our determination of whether a decline in value of our long-lived assets, including definite-lived intangibles, and/or goodwill has occurred.

The financial statements included in this report should be read in conjunction with the Company’s audited financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Form 10 K”).

2. Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the “FASB”), which are adopted by the Company 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 the Company’s consolidated financial statements upon adoption.

In May 2014, the FASB issued guidance on revenue from contracts with customers that superseded most then-current revenue recognition guidance, including industry-specific guidance (often referred to as "ASC 606"). The underlying principle is that an entity recognizes revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to receive in exchange for those goods or services. The guidance permitted the use of either a full retrospective or modified retrospective transition method. The Company adopted this guidance on January 1, 2018, using the modified retrospective transition method applied to those contracts which were not completed as of that date. On January 1, 2018, we were required to recognize any cumulative effect of adopting this guidance as an adjustment to our opening balance of retained earnings. Prior periods were not retrospectively adjusted. Based on our analysis of existing contracts with customers, the Company concluded the cumulative impact of the new standard was not material to our consolidated financial statements through January 1, 2018. In accordance with the guidance, we have expanded our revenue recognition disclosures to address the new qualitative and quantitative requirements. See Note 12, "Segments, Revenue Recognition and Related Information."

In February 2016, the FASB issued guidance on leases which introduces the recognition of lease assets and lease liabilities by lessees for all leases which are not short-term in nature. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. The Company will adopt this guidance on January 1, 2019. Upon initial evaluation, we believe the key change upon adoption will be the balance sheet recognition of our operating leases when we are the lessee. The income statement recognition appears similar to our current methodology.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

3. Business Acquisitions, Goodwill and Other Intangible Assets

GEODynamics Acquisition

On January 12, 2018, the Company acquired GEODynamics, Inc. ("GEODynamics") for a purchase price consisting of (i) $295.4 million in cash (net of cash acquired), which we funded through borrowings under the Company's Revolving Credit Facility (as defined in Note 6, "Long-term Debt"), (ii) approximately 8.66 million shares of the Company's common stock (having a market value of approximately $295 million as of the closing date of the acquisition) and (iii) an unsecured $25 million promissory note that bears interest at 2.5% per annum and matures on July 12, 2019 (the “GEODynamics Acquisition”). GEODynamics’ results of operations have been included in the Company’s financial statements subsequent to the closing of the acquisition on January 12, 2018. The acquired GEODynamics operations, reported as the Downhole Technologies segment, contributed revenues of $45.8 million and operating income of $8.1 million for the period from January 12, 2018 through March 31, 2018. See Note 12, "Segments, Revenue Recognition and Related Information" for further information with respect to the Downhole Technologies segment operations.

With respect to the approximately 8.66 million shares of the Company's common stock issued in the GEODynamics Acquisition, the Company also entered into a registration rights agreement pursuant to which it agreed, among other things, to (i) file and make effective a registration statement registering the resale of such shares, (ii) facilitate up to two underwritten offerings for such selling stockholders, (iii) facilitate certain block trades for such selling stockholders and (iv) provide certain piggyback registration rights to such selling stockholders. The Company filed a shelf registration statement for the resale of shares in accordance with the agreement on January 19, 2018 and the selling stockholder sold approximately 5.93 million shares of the Company's common stock through an underwritten offering in late February 2018.

Falcon Acquisition

On February 28, 2018, the Company acquired Falcon Flowback Services, LLC (“Falcon”), a full service provider of flowback and well testing services for the separation and recovery of fluids, solid debris and proppant used during hydraulic fracturing operations. Falcon provides additional scale and diversity to our Completion Services well testing operations in key shale plays in the United States. The purchase price was $84.2 million (net of cash acquired), which is subject to customary post-closing purchase price adjustments. The Falcon acquisition was funded by borrowings under the Company's Amended Revolving Credit Facility (as defined in Note 6, "Long-term Debt"). Falcon’s results of operations have been included in the Company’s financial statements and reported within the Completion Services business subsequent to the closing of the acquisition on February 28, 2018.

Transaction-Related Costs

During the three months ended March 31, 2018 and December 31, 2017, the Company expensed transaction-related costs of $2.6 million and $1.4 million, respectively, which are included within selling, general and administrative expense.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

The GeoDynamics and Falcon acquisitions have been accounted for using the acquisition method of accounting. The following table summarizes the Company's preliminary estimates of the fair value of assets acquired and liabilities assumed in the acquisitions, as of their respective dates of acquisitions (in thousands):

| | GEODynamics | | Falcon | |
|---|---|---|---|---|
| Accounts receivable, net | $ 37,282 | | $21,180 | |
| Inventories | 36,140 | | 242 | |
| Property, plant and equipment | 25,769 | | 30,000 | |
| Intangible assets | | | | |
| Customer relationships | 100,000 | | 13,500 | |
| Patents/Technology/Know-how | 47,000 | | — | |
| Tradenames | 34,000 | | 1,500 | |
| Noncompete agreements | 18,000 | | 1,100 | |
| Other assets | 1,770 | | 664 | |
| Accounts payable and accrued liabilities | (21,168) | | (10,200) | |
| Deferred income taxes | (23,560) | (a) | — | |
| Other liabilities | (3,674) | | (167) | |
| Total identifiable net assets | 251,559 | | 57,819 | |
| Goodwill | 363,781 | (b) | 26,427 | (c) |
| Total net assets | $ 615,340 | | $84,246 | |

| | | |
|---|---|---|
| Consideration consists of: | | |
| Cash, net of cash acquired | $295,430 | $84,246 |
| Oil States common stock | 294,910 | — |
| Promissory note | 25,000 | — |
| Total consideration | $615,340 | $84,246 |

| | | |
|---|---|---|
| Intangible asset weighted-average useful lives (years): | | |
| Customer relationships | 20 | 15 |
| Patents/Technology/Know-how | 17 | n.a. |
| Tradenames | 20 | 20 |
| Noncompete agreements | 3 | 3 |

a. In connection with the acquisition accounting for GEODynamics, the Company provided deferred taxes related to, among other items, the estimated fair value adjustments for acquired property, plant and equipment, intangible assets and U.S. tax net operating loss carryforwards.
b. The goodwill recognized is primarily attributable to expected synergies that will result from combining the operations of the Company and GEODynamics, as well as intangible assets which do not qualify for separate recognition. The amount of goodwill that is deductible for income tax purposes is not significant.
c. The goodwill recognized is primarily attributable to expected synergies that will result from combining the operations of the Company and Falcon, as well as intangible assets which do not qualify for separate recognition. All goodwill is deductible for income tax purposes.

The Company has not completed the purchase price allocation for the GEODynamics and Falcon acquisitions and these preliminary estimates are subject to revision. The final purchase price allocation will be determined when the Company has finalized the opening balance sheet of each acquisition and completed the detailed valuations and necessary calculations. The final allocations could differ materially from the preliminary allocations. The final allocations may include (1) changes in identifiable net assets, (2) changes in allocations to intangible assets such as tradenames, patents/technology/know-how and customer relationships as well as goodwill, (3) changes in fair values of property, plant and equipment and deferred taxes and (4) other changes to assets and liabilities.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

Supplemental Unaudited Pro Forma Financial Information
The following supplemental unaudited pro forma results of operations data for the Company gives pro forma effect to the consummation of the GEODynamics and Falcon acquisitions as if they had occurred on January 1, 2017. The supplemental unaudited pro forma financial information for the Company was prepared based on historical financial information, adjusted to give pro forma effect to fair value adjustments on depreciation and amortization expense, interest expense, and related tax effects, among others. The pro forma results for the quarter ended March 31, 2018 reflect adjustments to exclude after-tax impact of transaction costs of $2.0 million. The supplemental pro forma financial information is unaudited and may not reflect what combined operations would have been were the acquisitions to have occurred on January 1, 2017. As such, it is presented for informational purposes only (in thousands, except per share amounts):

| | Pro Forma Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Revenue | $280,200 | $199,079 |
| Net loss | $(1,632) | $(20,610) |
| Diluted loss per share | $(0.03) | $(0.35) |
| Diluted weighted average common shares outstanding | 58,811 | 59,021 |

This supplemental unaudited pro forma results of operations data reflects adjustments required for business combinations and is based upon, among other things, preliminary estimates of the fair value of assets acquired and liabilities assumed and certain assumptions that the Company believes are reasonable. Revisions to the preliminary estimates of fair value may have a significant impact on the pro forma amounts of depreciation and amortization expense and income tax benefit.

Changes in the carrying amount of goodwill for the three month period ended March 31, 2018 were as follows (in thousands):

| | Well Site Services | | | | | |
|---|---|---|---|---|---|---|
| | Completion Services | Drilling Services | Subtotal | Downhole Technologies | Offshore / Manufactured Products | Total |
| Balance as of December 31, 2017 | | | | | | |
| Goodwill | $199,631 | $22,767 | $222,398 | $ — | $ 162,906 | $385,304 |
| Accumulated impairment losses | (94,528) | (22,767) | (117,295) | — | — | (117,295) |
| | 105,103 | — | 105,103 | — | 162,906 | 268,009 |
| Goodwill acquired | 26,427 | — | 26,427 | 363,781 | — | 390,208 |
| Foreign currency translation | — | — | — | — | 292 | 292 |
| Balance as of March 31, 2018 | $131,530 | $— | $131,530 | $ 363,781 | $ 163,198 | $658,509 |
| | | | | | | |
| Balance as of March 31, 2018 | | | | | | |
| Goodwill | $226,058 | $22,767 | $248,825 | $ 363,781 | $ 163,198 | $775,804 |
| Accumulated impairment losses | (94,528) | (22,767) | (117,295) | — | — | (117,295) |
| | $131,530 | $— | $131,530 | $ 363,781 | $ 163,198 | $658,509 |

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Other Intangible Assets

The following table presents the total gross carrying amount of intangibles and the total accumulated amortization for major intangible asset classes as of March 31, 2018 and December 31, 2017 (in thousands):

| | March 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Other Intangible Assets | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | $159,557 | $ 24,671 | $44,557 | $ 22,661 |
| Patents/Technology/Know-how | 83,152 | 17,473 | 35,762 | 15,844 |
| Noncompete agreements | 23,729 | 3,933 | 4,899 | 2,799 |
| Tradenames and other | 42,937 | 3,123 | 10,801 | 4,450 |
| Total other intangible assets | $309,375 | $ 49,200 | $96,019 | $ 45,754 |

The weighted average remaining amortization period for all intangible assets, other than goodwill, was 15.6 years as of March 31, 2018 and 7.8 years as of December 31, 2017. Total amortization expense is expected to total $19.7 million over the balance of 2018, $24.9 million in 2019, $23.1 million in 2020, $17.1 million in 2021 and $16.2 million in 2022. Amortization expense was $5.6 million and $2.1 million in the three months ended March 31, 2018 and 2017, respectively.

4. Details of Selected Balance Sheet Accounts

Additional information regarding selected balance sheet accounts at March 31, 2018 and December 31, 2017 is presented below (in thousands):

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Accounts receivable, net: | | |
| Trade | $239,806 | $ 153,912 |
| Unbilled revenue | 29,719 | 21,638 |
| Contract assets (see Note 12) | 30,176 | 41,195 |
| Other | 11,151 | 6,710 |
| Total accounts receivable | 310,852 | 223,455 |
| Allowance for doubtful accounts | (10,484 ) | (7,316 ) |
| | $300,368 | $ 216,139 |

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Inventories, net: | | |
| Finished goods and purchased products | $92,089 | $ 82,990 |
| Work in process | 28,610 | 30,689 |
| Raw materials | 101,145 | 70,255 |
| Total inventories | 221,844 | 183,934 |
| Allowance for excess or obsolete inventory | (17,633 ) | (15,649 ) |
| | $204,211 | $ 168,285 |

| | March 31, 2018 | December 31, 2017 |
|---|---|---|

| | | |
|---|---|---|
| Prepaid expenses and other current assets: | | |
| Income taxes receivable | $ 10,559 | $ 5,927 |
| Prepayments to vendors | 3,102 | 2,962 |
| Prepaid insurance | 4,502 | 5,007 |
| Other | 5,750 | 4,158 |
| | $ 23,913 | $ 18,054 |

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

| | Estimated Useful Life (years) | March 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Property, plant and equipment, net: | | | |
| Land | | $36,128 | $ 35,808 |
| Buildings and leasehold improvements | 2 – 40 | 245,192 | 235,330 |
| Machinery and equipment | 1 – 28 | 477,699 | 458,458 |
| Completion services equipment | 2 – 10 | 464,204 | 431,714 |
| Office furniture and equipment | 3 – 10 | 44,501 | 43,664 |
| Vehicles | 2 – 10 | 118,847 | 118,198 |
| Construction in progress | | 42,153 | 34,557 |
| Total property, plant and equipment | | 1,428,724 | 1,357,729 |
| Accumulated depreciation | | (880,664 ) | (858,839 ) |
| | | $548,060 | $ 498,890 |

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Other noncurrent assets: | | |
| Deferred compensation plan | $ 22,189 | $ 20,988 |
| Deferred income taxes | 654 | 519 |
| Other | 5,534 | 6,903 |
| | $ 28,377 | $ 28,410 |

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Accrued liabilities: | | |
| Accrued compensation | $ 19,882 | $ 25,794 |
| Insurance liabilities | 7,273 | 6,831 |
| Accrued taxes, other than income taxes | 7,743 | 3,591 |
| Accrued commissions | 1,816 | 1,335 |
| Accrued transaction-related costs | 1,427 | — |
| Accrued claims | 1,415 | 1,320 |
| Other | 9,332 | 7,018 |
| | $ 48,888 | $ 45,889 |

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(Continued)

## 5. Net Loss Per Share

The table below provides a reconciliation of the numerators and denominators of basic and diluted net loss per share for the three months ended March 31, 2018 and 2017 (in thousands, except per share amounts):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Numerators: | | |
| Net loss | $(3,492) | $(17,678) |
| Less: Income attributable to unvested restricted stock awards | — | — |
| Numerator for basic net loss per share | (3,492) | (17,678) |
| Effect of dilutive securities: | | |
| Unvested restricted stock awards | — | — |
| Numerator for diluted net loss per share | $(3,492) | $(17,678) |
| Denominators: | | |
| Weighted average number of common shares outstanding | 58,814 | 51,547 |
| Less: Weighted average number of unvested restricted stock awards outstanding | (1,027) | (1,129) |
| Denominator for basic net loss per share | 57,787 | 50,418 |
| Effect of dilutive securities: | | |
| Unvested restricted stock awards | — | — |
| Assumed exercise of stock options | — | — |
| 1.50% convertible senior notes (see Note 6) | — | — |
| | — | — |
| Denominator for diluted net loss per share | 57,787 | 50,418 |
| Net loss per share: | | |
| Basic | $(0.06) | $(0.35) |
| Diluted | (0.06) | (0.35) |

The calculation of diluted net loss per share for the three months ended March 31, 2018 and 2017 excluded 700 thousand shares and 721 thousand shares, respectively, issuable pursuant to outstanding stock options and restricted stock awards, due to their antidilutive effect. Additionally, shares issuable upon conversion of the 1.50% convertible senior notes were excluded for three months ended March 31, 2018, due to their antidilutive effect.

## 6. Long-term Debt

As of March 31, 2018 and December 31, 2017, long-term debt consisted of the following (in thousands):

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Revolving credit facility(1) | $185,798 | $ — |
| 1.50% convertible senior notes(2) | 161,736 | — |
| Promissory note | 25,000 | — |
| Capital lease obligations and other debt | 5,950 | 5,281 |
| Total debt | 378,484 | 5,281 |

| | | |
|---|---|---|
| Less: Current portion | (535 ) | (411 ) |
| Total long-term debt and capitalized leases | $377,949 | $ 4,870 |

(1) Presented net of $2.2 million of unamortized debt discount and issuance costs as of March 31, 2018. Unamortized debt issuance costs of $1.6 million as of December 31, 2017 are classified in other noncurrent assets.

(2) The principal amount of the 1.50% convertible senior notes is $200.0 million. See "Issuance of 1.50% Convertible Senior Notes" below.

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Revolving Credit Facility

Prior to January 30, 2018, the Company's senior secured revolving credit facility (the "Revolving Credit Facility") was governed by a credit agreement with Wells Fargo Bank, N.A., as administrative agent for the lenders party thereto and collateral agent for the secured parties thereunder, and the lenders and other the financial institutions from time to time party thereto, dated as of May 28, 2014, as amended, (the "Credit Agreement") that was scheduled to mature on May 28, 2019. On January 30, 2018, the Company amended the Revolving Credit Facility and amended and restated the Credit Agreement (the "Amended Revolving Credit Facility" and "Amended Credit Agreement", respectively), to extend the maturity to January 2022 and permit the issuance of convertible senior notes as discussed below. The Amended Credit Agreement governs our Amended Revolving Credit Facility. The Amended Revolving Credit Facility provides for $350 million in lender commitments with an option to increase the maximum borrowings to $500 million subject to additional lender commitments prior to its maturity on January 30, 2022. Under the Amended Revolving Credit Facility, $50 million is available for the issuance of letters of credit.

As of March 31, 2018, the Company had $188.0 million of borrowings outstanding under the Amended Credit Agreement, leaving $101.1 million available to be drawn under the Amended Revolving Credit Facility. Additionally, as of March 31, 2018, the Company had $20.9 million of outstanding letters of credit. The total amount available to be drawn under our Amended Revolving Credit Facility was less than the lender commitments as of March 31, 2018, due to limits imposed by maintenance covenants in the Amended Credit Agreement.

Amounts outstanding under the Amended Revolving Credit Facility bear interest at LIBOR plus a margin of 1.75% to 3.00%, or at a base rate plus a margin of 0.75% to 2.00%, in each case based on a ratio of the Company's total net funded debt to consolidated EBITDA (as defined in the Amended Credit Agreement). The Company must also pay a quarterly commitment fee of 0.25% to 0.50%, based on the Company's ratio of total net funded debt to consolidated EBITDA, on the unused commitments under the Amended Credit Agreement. In connection with the amendment and restatement of the Credit Agreement, the Company expensed $0.4 million of previously deferred financing costs in the first quarter of 2018, which is included in interest expense.

The Amended Credit Agreement contains customary financial covenants and restrictions. Specifically, we must maintain an interest coverage ratio, defined as the ratio of consolidated EBITDA to consolidated interest expense, of at least 3.00 to 1.0, a maximum senior secured leverage ratio, defined as the ratio of senior secured debt to consolidated EBITDA, of no greater than 2.25 to 1.0 and a total net leverage ratio, defined as the ratio of total net funded debt to consolidated EBITDA, of no greater than 4.0 to 1.0 through the fiscal quarter ending December 31, 2018 and no greater than 3.75 to 1.0 thereafter. The financial covenants give pro forma effect to the issuance of the convertible senior notes discussed below, acquired businesses and the annualization of EBITDA for acquired businesses for the fiscal quarters ending March 31, 2018 and June 30, 2018.

Each of the factors considered in the calculation of these ratios are defined in the Amended Credit Agreement. Consolidated EBITDA and consolidated interest, as defined, exclude goodwill impairments, losses on extinguishment of debt, debt discount amortization, stock-based compensation expense and other non-cash charges.

Borrowings under the Amended Credit Agreement are secured by a pledge of substantially all of the Company's assets and the assets of its domestic subsidiaries. The Company's obligations under the Amended Credit Agreement are guaranteed by its significant domestic subsidiaries. The Amended Credit Agreement also contains negative covenants that limit the Company's ability to borrow additional funds, encumber assets, pay dividends, sell assets and enter into other significant transactions.

Under the Amended Credit Agreement, the occurrence of specified change of control events involving the Company would constitute an event of default that would permit the banks to, among other things, accelerate the maturity of the facility and cause it to become immediately due and payable in full.

As of March 31, 2018, the Company was in compliance with its debt covenants.

Issuance of 1.50% Convertible Senior Notes

On January 30, 2018, the Company issued $200 million aggregate principal amount of its 1.50% convertible senior notes due 2023 (the "Notes") pursuant to an indenture, dated as of January 30, 2018 (the “Indenture”), between the Company and Wells Fargo

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Bank, National Association, as trustee. Net proceeds from the Notes, after deducting discounts and expenses, were approximately $194.0 million, which was used by the Company to repay a portion of the outstanding borrowings under the Revolving Credit Facility.

The initial carrying amount of the Notes recorded in the condensed consolidated balance sheet as of March 31, 2018 was less than the $200 million in principal amount of the Notes, in accordance with applicable accounting principles, reflective of the estimated fair value of a similar debt instrument that does not have a conversion feature. The Company recorded this difference of $34.4 million as a debt discount, which is amortized as interest expense over the term of the Notes, with a similar amount allocated to additional paid-in capital. As a result of this amortization, the interest expense the Company recognizes related to the Notes for accounting purposes is based on an effective interest rate of approximately 6.0% and is greater than the cash interest payments the Company will pay on the Notes. Interest expense associated with the Notes for the quarter ended March 31, 2018 was $1.6 million.

The following table presents the carrying amount of the Notes in the condensed consolidated balance sheets (in thousands):

| | March 31, 2018 |
|---|---|
| Principal amount of the liability component | $200,000 |
| Less: Unamortized discount | 33,423 |
| Less: Unamortized issuance costs | 4,841 |
| Net carrying amount of the liability | $161,736 |
| | |
| Carrying amount of the equity component in additional paid-in capital, net of deferred taxes of $7,744 | $25,640 |

The Notes bear interest at a rate of 1.50% per year until maturity. Interest is payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. In addition, additional interest and special interest may accrue on the Notes under certain circumstances as described in the Indenture. The Notes will mature on February 15, 2023, unless earlier repurchased, redeemed or converted. The initial conversion rate is 22.2748 shares of the Company's common stock per $1,000 principal amount of Notes (equivalent to an initial conversion price of approximately $44.89 per share of common stock). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described in the Indenture. The Company’s intent is to repay the principal amount of the Notes in cash and the conversion feature in shares of the Company’s common stock.

Noteholders may convert their Notes, at their option only in the following circumstances: (1) if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the “measurement period”) in which the trading price per $1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company’s common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company’s common stock, as described in the Indenture; or (4) if the Company calls the Notes for redemption, or at any time from, and including, November 15, 2022 until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, based on the applicable conversion rate(s). If the Company elects to deliver cash or a combination of cash and shares of common stock, then the consideration due upon conversion will be based on a defined observation period.

The Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after February 15, 2021, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of common stock exceeds 130% of the conversion price on each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice.

If specified change in control events involving the Company as defined in the Indenture occur, then noteholders may require the Company to repurchase their Notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest. Additionally, the Notes contain certain events of default as set forth in the indenture. As of March 31, 2018, none of the conditions allowing holders of the Notes to convert, or requiring us to repurchase the Notes, had been met.

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Because it is the Company's intent to settle the principal portion of the Notes in cash, the Company uses the treasury stock method in calculating the diluted earnings per share effect for the variable number of shares that would be issued upon conversion to settle the conversion feature.

Promissory Note

In connection with the GEODynamics Acquisition, the Company issued a $25.0 million promissory note that bears interest at 2.50% per annum and matures on July 12, 2019.

7. Fair Value Measurements

The Company's financial instruments consist of cash and cash equivalents, investments, receivables, payables, debt instruments and foreign currency forward contracts. The Company believes that the carrying values of these instruments, other than the Notes, on the accompanying condensed consolidated balance sheets approximate their fair values. The Company believes the fair value of the Notes as of March 31, 2018 approximates the proceeds received by the Company, given the relative proximity to the date of issuance of January 30, 2018.

8. Changes in Common Stock Outstanding

The following table provides details with respect to the changes to the number of shares of common stock, $0.01 par value, outstanding during the first quarter of 2018:

| | |
|---|---|
| Shares of common stock outstanding – December 31, 2017 | 51,089,422 |
| Acquisition of GEODynamics | 8,661,083 |
| Restricted stock awards, net of forfeitures | 351,776 |
| Shares withheld for taxes on vesting of restricted stock awards and transferred to treasury | (144,855 ) |
| Shares of common stock outstanding – March 31, 2018 | 59,957,426 |

As of March 31, 2018 and December 31, 2017, the Company had 25,000,000 shares of preferred stock, $0.01 par value, authorized, with no shares issued or outstanding.

On July 29, 2015, the Company's Board of Directors approved a new share repurchase program providing for the repurchase of up to $150.0 million of the Company's common stock, which, following extension, was scheduled to expire on July 29, 2017. On July 26, 2017, our Board of Directors extended the share repurchase program for one year to July 29, 2018. During the first quarter of 2018, the Company did not repurchase any shares of common stock under the program. The amount remaining under our share repurchase authorization as of March 31, 2018 was $120.5 million. Subject to applicable securities laws, such purchases will be at such times and in such amounts as the Company deems appropriate.

9. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, reported as a component of stockholders' equity, decreased from $58.5 million at December 31, 2017 to $53.5 million at March 31, 2018, due to changes in currency exchange rates. Accumulated other comprehensive loss is primarily related to fluctuations in the currency exchange rates compared to the U.S. dollar which are used to translate certain of the international operations of our reportable segments. For the three months ended March 31, 2018 and 2017, currency translation adjustments recognized as a component of other comprehensive loss were primarily attributable to the United Kingdom and Brazil. As of March 31, 2018, the exchange rate for the British pound compared to the U.S. dollar strengthened by 4% compared to the exchange rate at December 31, 2017 while the exchange rate for the Brazilian real remained relatively consistent, contributing to other comprehensive income of $5.0 million reported for the three months ended March 31, 2018. During the first quarter of 2017, the exchange rates for the British pound and the Brazilian real strengthened by 1% and 2%, compared to the U.S. dollar, contributing to other comprehensive income of $3.5 million.

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10. Stock-based Compensation

The following table presents a summary of activity for stock options, service-based restricted stock awards and performance-based stock unit awards for the three months ended March 31, 2018.

| | Stock Options | Service-based Restricted Stock | Performance-based Stock Units |
|---|---|---|---|
| Outstanding – December 31, 2017 | 693,277 | 1,088,519 | 159,553 |
| Granted | — | 367,668 | 46,378 |
| Vested/Exercised | — | (471,695) | — |
| Forfeited | (514) | (15,892) | — |
| Outstanding – March 31, 2018 | 692,763 | 968,600 | 205,931 |
| Weighted average grant date fair value (2018 awards) | $ — | $ 28.75 | $ 28.75 |

The restricted stock program consists of a combination of service-based restricted stock and performance-based stock units. The service-based restricted stock awards generally vest on a straight-line basis over their term, which is generally three to four years. The number of performance-based restricted shares ultimately issued under the program is dependent upon our achievement of a predefined specific performance measures generally measured over a three-year period. In the event the predefined targets are exceeded for any performance-based award, additional shares up to a maximum of 200% of the target award may be granted. Conversely, if actual performance falls below the predefined target, the number of shares vested is reduced. If the actual performance falls below the threshold performance level, no restricted shares will vest. The performance measure for outstanding awards as of December 31, 2017 is relative total stockholder return compared to our peer group of companies.

The performance measure for performance-based stock units granted during the first quarter of 2018 is based on the Company's EBITDA growth rate over a three-year period. Additionally, the Company issued conditional phantom units totaling 46,378 units, with the ultimate number of phantom units to be awarded ranging from zero to a maximum of 92,756 units. These phantom units represent a hypothetical interest in the Company’s common stock, and, once vested, are settled in cash. The performance measure for these phantom units is relative stockholder return compared to our peer group of companies. The obligation related to the phantom units is classified as a liability and remeasured at the end of each reporting period.

Stock-based compensation pre-tax expense recognized in the three-month periods ended March 31, 2018 and 2017 totaled $5.2 million and $5.0 million, respectively. As of March 31, 2018, there was $33.2 million of pre-tax compensation costs related to service-based and performance-based stock awards and unvested stock options, which will be recognized in future periods as vesting conditions are satisfied.

11. Income Taxes

The income tax provision for interim periods is based on estimates of the effective tax rate for the entire fiscal year. For the three months ended March 31, 2018, the Company's income tax benefit was $1.2 million, or 26.0% of pre-tax losses. This compares to an income tax benefit of $6.6 million, or 27.3% of pre-tax losses for the three months ended March 31, 2017.

On December 22, 2017, the United States enacted legislation commonly known as the Tax Cuts and Jobs Act ("Tax Reform Legislation") which resulted in significant changes to U.S. tax and related laws, including certain key federal income tax provisions applicable to multinational companies such as the Company. These changes include, among others, the implementation of a territorial tax system with a one-time mandatory tax on undistributed foreign earnings of subsidiaries and a reduction in the U.S. corporate income tax rate to 21% from 35% effective January 1, 2018.

As a result of these U.S. tax law changes, during the fourth quarter of 2017 the Company recorded a net charge of $28.2 million within income tax expense, consisting primarily of incremental income tax expense of $41.4 million related to the one-time, mandatory transition tax on the Company's unremitted foreign subsidiary earnings (the "Transition Tax") and a valuation allowance established against the Company's foreign tax credit carryforwards which were recorded as assets prior to Tax Reform Legislation, offset by a tax benefit of $13.2 million related the remeasurement of the Company's U.S. net deferred tax liabilities based on the new 21% U.S. corporate income tax rate. The Company does not expect to incur a material cash tax payable with respect to the Transition Tax.

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The Tax Reform Legislation also includes many new provisions including changes to bonus depreciation, the deduction for executive compensation and interest expense, and potential incremental taxes related to certain foreign earnings. Many of these provisions did not apply to the Company until January 1, 2018. The Company continues to assess the impact of these and other provisions of the Tax Reform Legislation. The net deferred tax liability as of March 31, 2018 has not been materially impacted by any of these provisions. The Company's net deferred tax liability, as of December 31, 2017, excluded the impact, if any, of potential future U.S. income taxes related to certain foreign activities and transactions as described in the Tax Reform Legislation.

The Company continues to examine the implications arising from the Transition Tax and other provisions of these new tax laws but believes the provisional estimates recorded in the fourth quarter of 2017 reflected a reasonable estimate of the impact based on the information available as of March 31, 2018. As additional regulatory and accounting guidance becomes available and further information is obtained in connection with the preparation of the Company's 2017 U.S. federal and various foreign income tax returns, the Company will record, if necessary, adjustments to these provisional estimates in 2018.

The ultimate impact of Tax Reform Legislation may differ from the Company's provisional estimates, possibly materially, due to changes in the interpretations and assumptions made by the Company as well as additional regulatory and accounting guidance that may be issued and actions the Company may take as a result of the Tax Reform Legislation. In this regard, on April 2, 2018 the U.S. Department of the Treasury and the Internal Revenue Service issued a brief notice indicating that future changes in regulations under Tax Reform Legislation were pending which are expected to allow taxpayers, including the Company, to elect to carryback or carryforward 2017 U.S. net operating losses ("NOLs") rather than requiring that such NOLs be used to offset the Transition Tax. The Company will monitor regulatory guidance and other information related to this matter as it becomes available to allow the Company to reasonably estimate the impact of any change in its provisional estimates in future periods.

12. Segments, Revenue Recognition and Related Information

As further discussed in Note 3, "Business Acquisitions, Goodwill and Other Intangible Assets," on January 12, 2018 we completed the GEODynamics Acquisition, which is reported as a separate business segment in the first quarter of 2018 under the name "Downhole Technologies." Following this acquisition, the Company operates through three reportable segments: Well Site Services, Downhole Technologies and Offshore/Manufactured Products. The Company's reportable segments represent strategic business units that generally offer different products and services. They are managed separately because each business often requires different technologies and marketing strategies. Recent acquisitions, except for the GEODynamics Acquisition, have been direct extensions to our business segments.

The Well Site Services segment provides a broad range of equipment and services that are used to drill for, establish and maintain the flow of oil and natural gas from a well throughout its life cycle. In this segment, our operations primarily include completion-focused equipment and services as well as land drilling services. The Completion Services operations provide solutions to our customers using our completion tools and highly-trained personnel throughout our service offerings which include: wireline support, frac stacks, isolations tools, extended reach tools, ball launchers, well testing and flowback operations, thru tubing activity and sand control. Drilling Services provides land drilling services for shallow to medium depth wells in West Texas and the Rocky Mountain region of the United States. Separate business lines within the Well Site Services Segment have been disclosed to provide additional detail with respect to its operations. Substantially all of the revenue generated by the Well Site Services segment are classified as service revenues in the unaudited condensed consolidated statements of operations.

Following the closing of the GEODynamics Acquisition on January 12, 2018, the Downhole Technologies segment provides oil and gas perforation systems and downhole tools in support of completion, intervention, wireline and well abandonment operations. This segment designs, manufactures and markets its consumable engineered products to oilfield service as well as exploration and production companies, which are completing complex wells with longer lateral lengths, increased frac stages and more perforation clusters to increase unconventional well productivity. Substantially all of the revenue generated by the Downhole Technologies segment are classified as product revenue in the unaudited condensed consolidated statements of operations.

The Offshore/Manufactured Products segment designs, manufactures and markets capital equipment utilized on floating production systems, subsea pipeline infrastructure, and offshore drilling rigs and vessels, along with short-cycle and other products. Driven principally by longer-term customer investments for offshore oil and natural gas projects, project-driven product revenues include: flexible bearings, advanced connector systems, high-pressure riser systems, deepwater mooring systems, cranes, subsea pipeline products and blow-out preventer stack integration. Short-cycle products manufactured by the segment include: valves, elastomers and other specialty products generally used in the land-based completion and drilling markets. Other products manufactured

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and offered by the segment include a variety of products for use in industrial, military and other applications outside the oil and gas industry. The segment also offers a broad line of complementary, value-added services including: specialty welding, fabrication, cladding and machining services, offshore installation services, and inspection and repair services.

Corporate activities include corporate expenses, including those related to corporate governance, stock-based compensation and other infrastructure support, as well as the impact of Company-wide decisions for which the individual operating units are not being evaluated.

Financial information by business segment for the three months ended March 31, 2018 and 2017 is summarized in the following tables (in thousands).

| | Revenues | Depreciation and amortization | Operating income (loss) | Capital expenditures | Total assets |
|---|---|---|---|---|---|
| Three months ended March 31, 2018 | | | | | |
| Well Site Services – | | | | | |
| Completion Services | $82,840 | $ 15,382 | $(4,471) | $ 7,925 | $519,385 |
| Drilling Services | 17,559 | 3,868 | (2,311) | 1,225 | 70,989 |
| Total Well Site Services | 100,399 | 19,250 | (6,782) | 9,150 | 590,374 |
| Downhole Technologies | 45,781 | 3,884 | 8,054 | 1,898 | 665,966 |
| Offshore/Manufactured Products | 107,396 | 5,814 | 12,452 | 3,023 | 744,998 |
| Corporate | — | 242 | (14,638) | 167 | 47,420 |
| Total | $253,576 | $ 29,190 | $(914) | $ 14,238 | $2,048,758 |

| | Revenues | Depreciation and amortization | Operating income (loss) | Capital expenditures | Total assets |
|---|---|---|---|---|---|
| Three months ended March 31, 2017 | | | | | |
| Well Site Services – | | | | | |
| Completion Services | $48,672 | $ 16,528 | $(16,480) | $ 2,492 | $450,552 |
| Drilling Services | 11,481 | 5,035 | (4,217) | 292 | 76,109 |
| Total Well Site Services | 60,153 | 21,563 | (20,697) | 2,784 | 526,661 |
| Downhole Technologies | — | — | — | — | — |
| Offshore/Manufactured Products | 91,314 | 6,153 | 9,464 | 3,022 | 782,687 |
| Corporate | — | 264 | (12,091) | 11 | 35,636 |
| Total | $151,467 | $ 27,980 | $(23,324) | $ 5,817 | $1,344,984 |

One customer individually accounted for 12% and 14% of the Company’s consolidated product and service revenue for the three months ended March 31, 2018 and 2017, respectively, and individually represented 11% of the Company’s consolidated total accounts receivable as of March 31, 2018. Operating income (loss) excludes equity in net income of unconsolidated affiliates, which is immaterial and not reported separately herein.

As further discussed in Note 2, "Recent Accounting Pronouncements," the Company accounts for revenue in accordance with FASB issued guidance on revenue from contracts with customers, which we adopted on January 1, 2018. While the new guidance did not have a material impact on the Company's recognition of revenues, we have expanded our revenue recognition disclosures to address the new qualitative and quantitative requirements.

Contractual terms may vary by contract and customer, which may impact the timing of revenue recognition under the standard in future periods.

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The following table provides supplemental disaggregated revenue from contracts with customers by business segment for the three months ended March 31, 2018 and 2017 (in thousands):

| | Well Site Services | | Downhole Technologies | | Offshore/Manufactured Products | | Total | |
|---|---|---|---|---|---|---|---|---|
| Three months ended March 31, | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Major revenue categories - | | | | | | | | |
| Project-driven products | $— | $— | $ — | $ — | $ 40,799 | $ 32,335 | $40,799 | $32,335 |
| Short-cycle: | | | | | | | | |
| Completion products and services | 82,840 | 48,672 | 45,781 | — | 32,972 | 25,849 | 161,593 | 74,521 |
| Drilling services | 17,559 | 11,481 | — | — | — | — | 17,559 | 11,481 |
| Other products | — | — | — | — | 7,446 | 7,222 | 7,446 | 7,222 |
| Total short-cycle | 100,399 | 60,153 | 45,781 | — | 40,418 | 33,071 | 186,598 | 93,224 |
| Other products and services | — | — | — | — | 26,179 | 25,908 | 26,179 | 25,908 |
| | $100,399 | $60,153 | $ 45,781 | $ — | $ 107,396 | $ 91,314 | $253,576 | $151,467 |

Performance Obligations

The Company's revenue contracts may include one or more promises to transfer a distinct good or service to the customer, which is referred to under ASC 606 as a "performance obligation," and to which contract value is allocated. Revenue is recognized by the Company when, or as, the performance obligations are satisfied. The majority of the Company's significant contracts for custom engineered products have a single performance obligation as no promise to transfer an individual good or service is separately identifiable from other promises in the contracts and is, therefore, not distinct. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to the identified performance obligations in the contract. Our product sales terms do not include significant post-performance obligations.

The Company's performance obligations may be satisfied at a point in time or over time as work progresses. Revenue from goods and services transferred to customers at a point in time accounted for approximately 33 percent