

# Frank's International Q3 2015 Earnings Conference Call

November 3, 2015



Unlocking Complexities.

# Q3 2015 Earnings Conference Call

**Introduction – Blake Holcomb, Director of Investor Relations**

**Operations Overview – Gary Luquette, President and CEO**

**Financial Performance – Jeff Bird, EVP and CFO**

**Q & A**

# Corporate Information

## Gary Luquette

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## Jeff Bird

Executive Vice President, Chief Financial Officer

## John Walker

Executive Vice President, Operations

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This presentation includes the non-GAAP financial measures of free cash flow, Adjusted EBITDA and Adjusted EBITDA margin, which may be used periodically by management when discussing the Company's financial results with investors and analysts. Free cash flow, Adjusted EBITDA and Adjusted EBITDA margin are presented because management believes these metrics provide additional information relative to the performance of the Company's business. These metrics are commonly employed by financial analysts and investors to evaluate the operating and financial performance of the Company from period to period and to compare it with the performance of other publicly traded companies within the industry. You should not consider free cash flow, Adjusted EBITDA and Adjusted EBITDA margin in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Because free cash flow, Adjusted EBITDA and Adjusted EBITDA margin may be defined differently by other companies in the Company's industry, the Company's presentation of free cash flow, Adjusted EBITDA and Adjusted EBITDA margin may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. For a reconciliation of each to the nearest comparable measure in accordance with GAAP, please see the Supplement Financials.

# Gary Luquette – President and CEO

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## Q3 2015 Summary

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- U.S. Offshore activity remains stable and International market share holding steady despite lower activity levels

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  - Operating cost and working capital reduction initiatives continue to work through the income statement

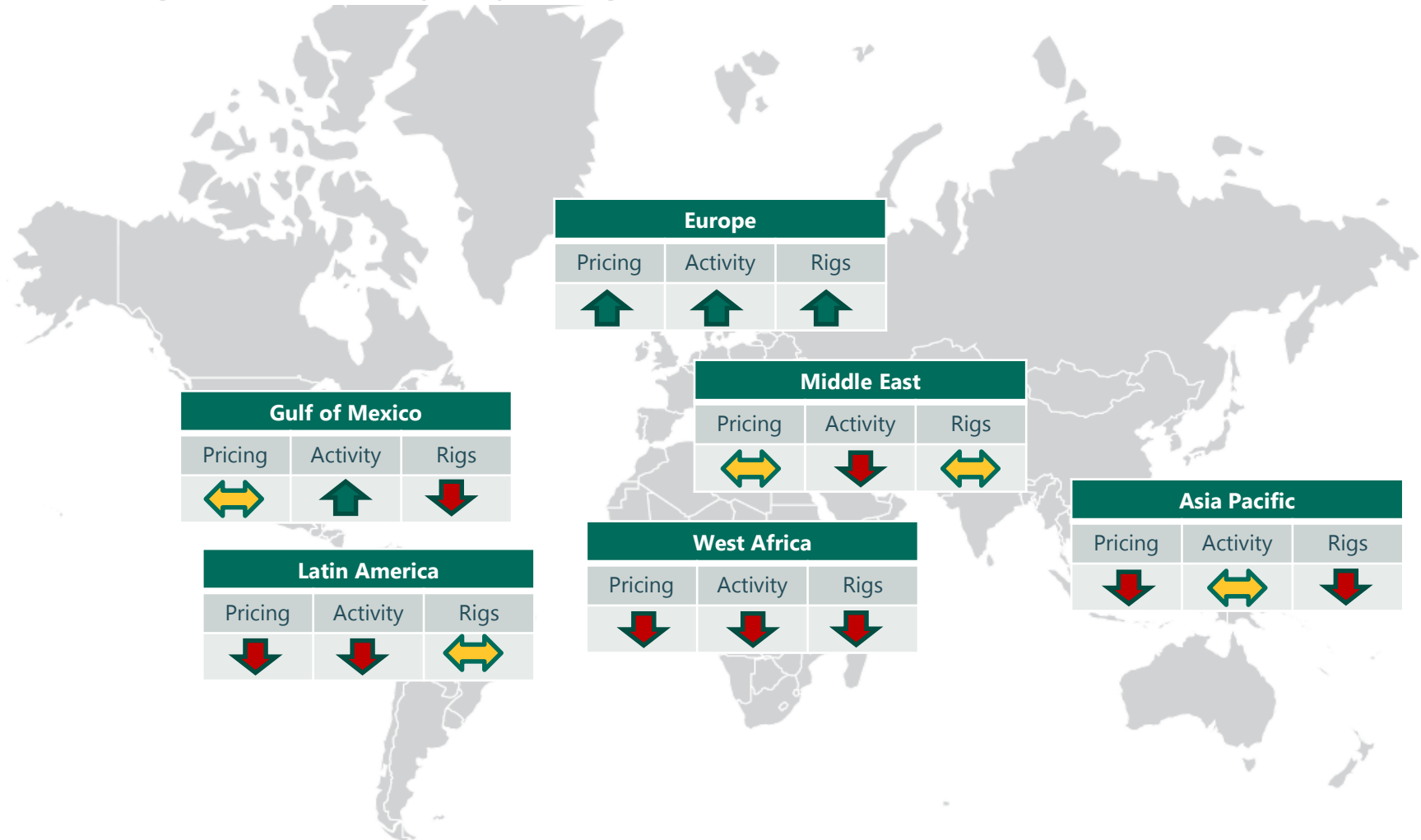
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  - Delivered EBITDA margins above 30% and the ninth consecutive quarter of positive free cash flow

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  - Record quarterly Tubular Sales revenue and EBITDA
-

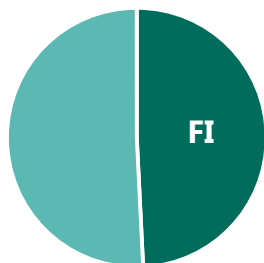
# Pricing & Activity by Region Q2 2015 to Q3 2015



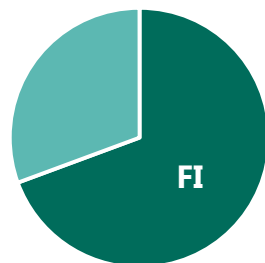
# A Tale of Two Markets

## Gulf of Mexico

Market Share Q3  
2014



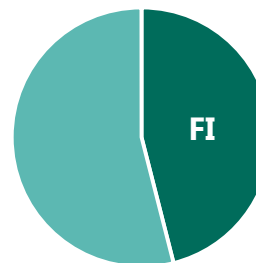
Market Share Q3  
2015



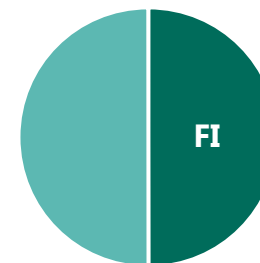
- Growing market share in Gulf of Mexico despite fewer rigs
- Working with customers to find price concession and activity balance
- Appear to be approaching trough in activity levels

## West Africa

Market Share Q3  
2014



Market Share Q3  
2015



- Holding market share, but the pie is smaller – 63 to 51 rigs
- Recent pre-salt exploratory failures impacting higher margin Angola work
- Offset challenges with cost reductions and West Africa mix

# M&A Opportunities

- Bid / Ask spread narrowing, but still not there yet
- Cash flow and balance sheet allow for flexibility in being thoughtful, deliberate, and strategic
- Focused on targets that support industry leading margins

- Under-represented markets including Brazil & Middle East
- Displace a financially weakened competitor

## Gain Market Share



- Applicable to next generation rig innovation
- Decrease rig time / increase safety through automation

## Compelling Technology



- Increase amount of time on the rig
- Ability to apply operational expertise

## Complementary Business





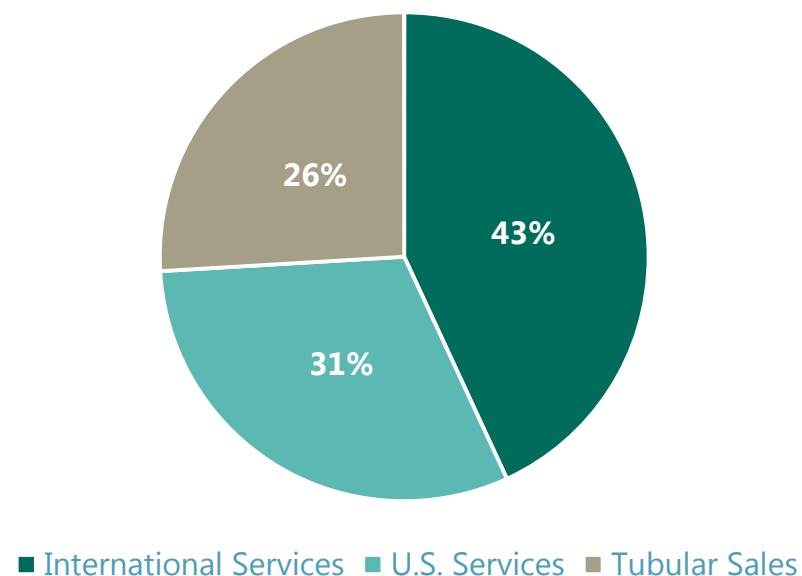
# Jeff Bird – Executive Vice President and CFO

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## Q3 2015 Financial Highlights

	Q3 Results	Q/Q $\Delta$
International Services	\$103 MM	(16%)
U.S. Services	\$74 MM	(5%)
Tubular Sales	\$62 MM	17%
<b>Total Company Revenue</b>	<b>\$240 MM</b>	<b>(6%)</b>
<b>Adj. EBITDA<sup>(1)</sup></b>	<b>\$73 MM</b>	<b>(8%)</b>
<b>Adj. EBITDA margin</b>	<b>31%</b>	<b>(89) bps</b>
<b>Diluted EPS</b>	<b>\$0.11</b>	<b>(21%)</b>
Operating Cash Flow	\$79	(31%)
Cash & Equivalents	\$507	7%
Quarterly Dividend	\$0.15	-

### Q3 Revenue Breakdown



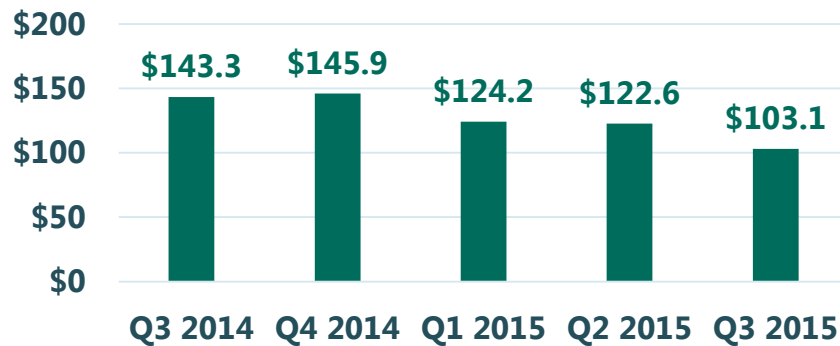
**Solid Tubular Sales and U.S. Offshore performance helped to offset a drop in international activity, particularly the West Africa region.**

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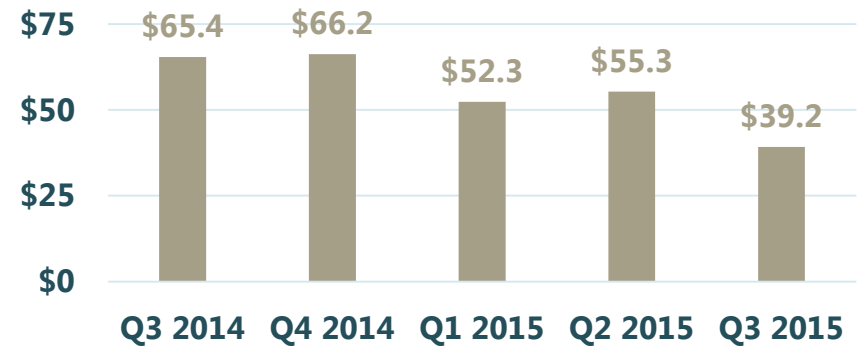
(1) Adjusted EBITDA is a non-GAAP financial measure. See reconciliation of income from continuing operations to adjusted EBITDA

# International Services – Q3 2015 Highlights

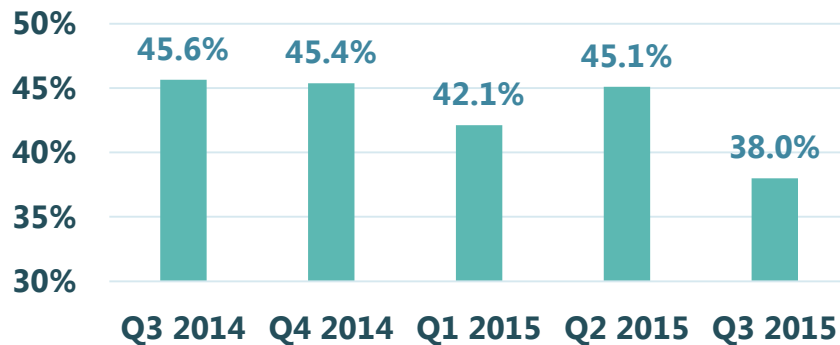
## Revenue



## EBITDA

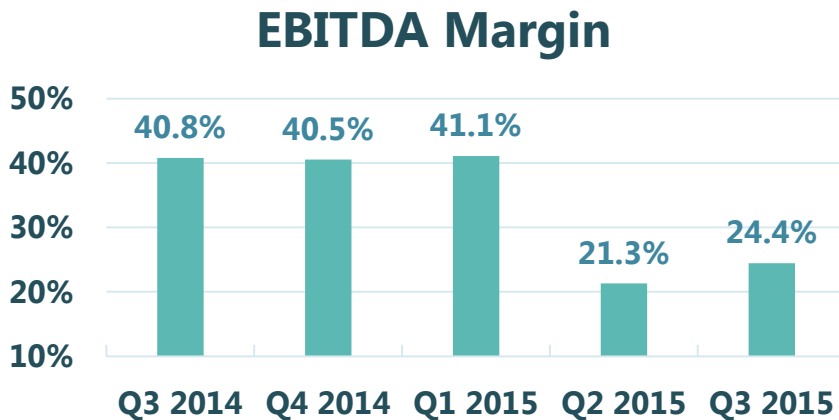
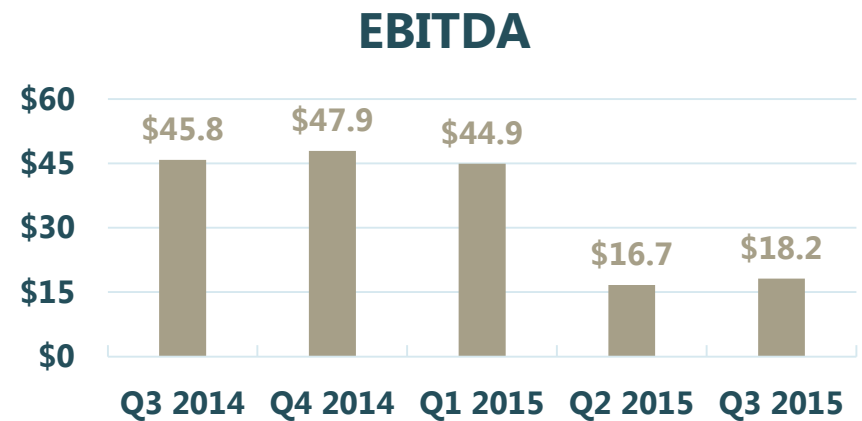
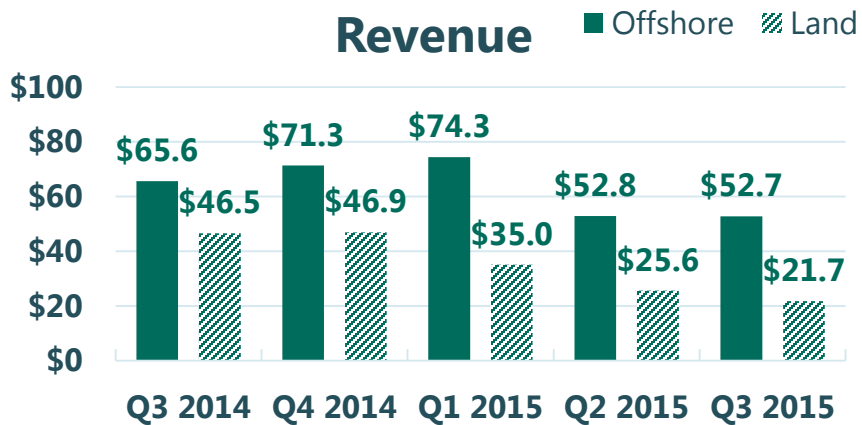


## EBITDA Margin



- **West Africa impacted by decreased activity levels in some higher margin pre-salt areas**
- **Benefit of cost reductions yet to be fully realized and roughly one-third expected to carry through down cycle**
- **Europe and Asia Pacific more stable with strong revenue mix and new business**

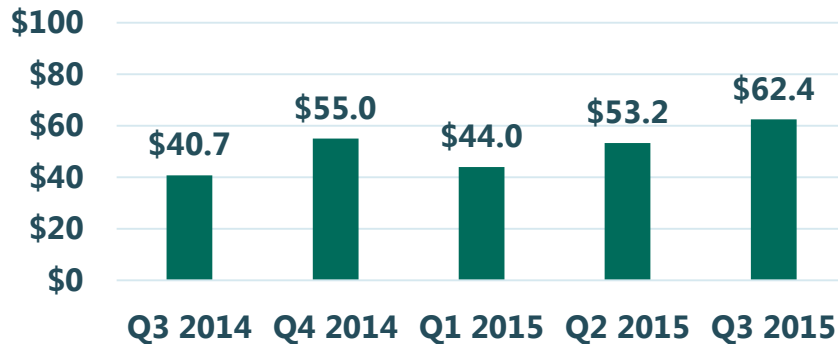
# U.S. Services – Q3 2015 Highlights



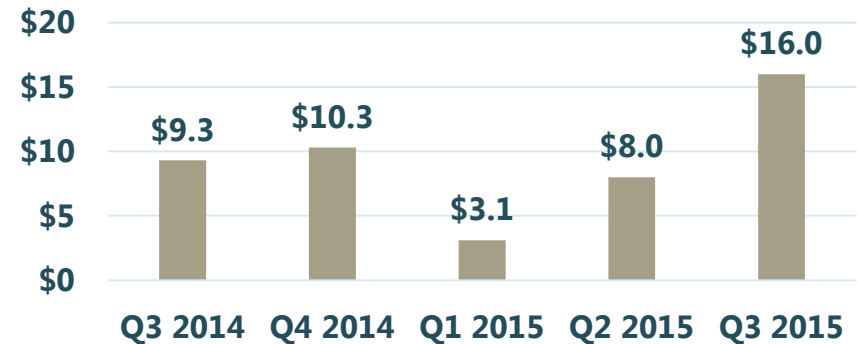
- U.S. Offshore customers moving past delays and weather impacts
- U.S. Offshore EBITDA margins continue to trend above 40%
- U.S. Land struggles continue, but gaining market share as competitors exit
- U.S. Land remains strategic and poised to capitalize on commodity price rebound

# Tubular Sales – Q3 2015 Highlights

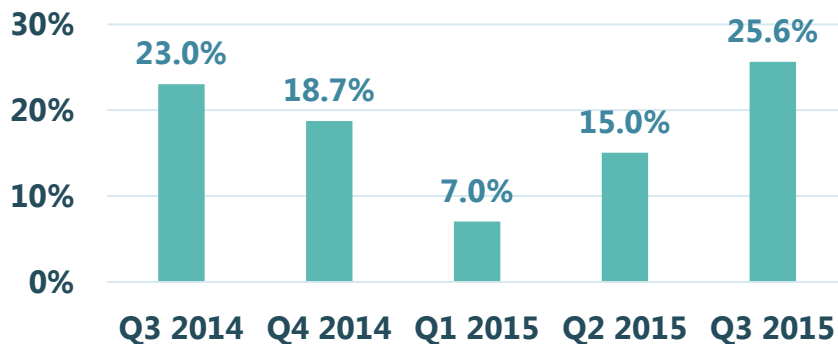
## Revenue



## EBITDA



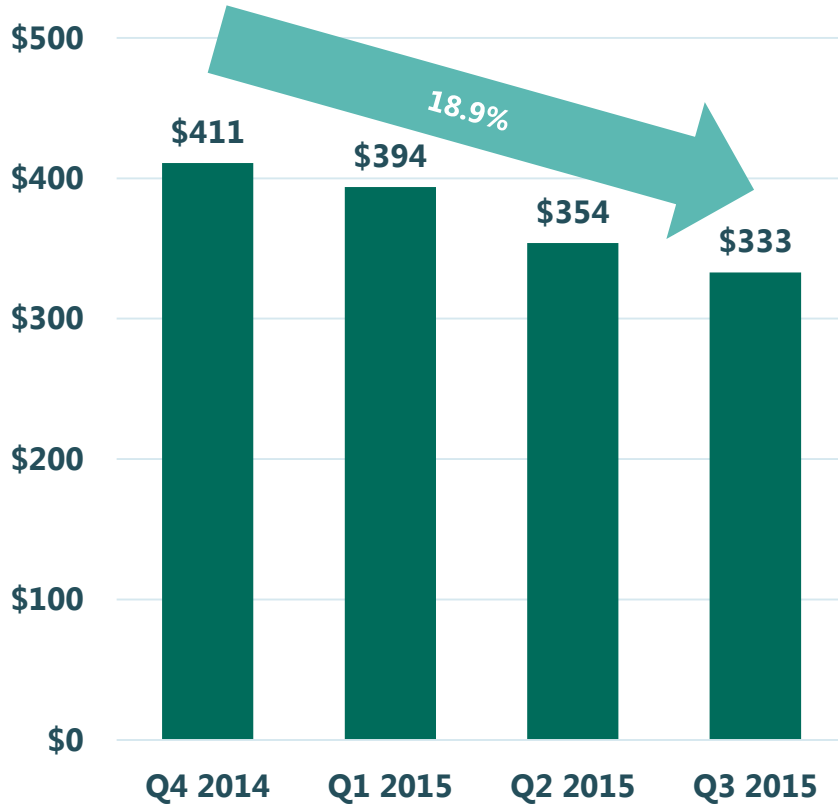
## EBITDA Margin



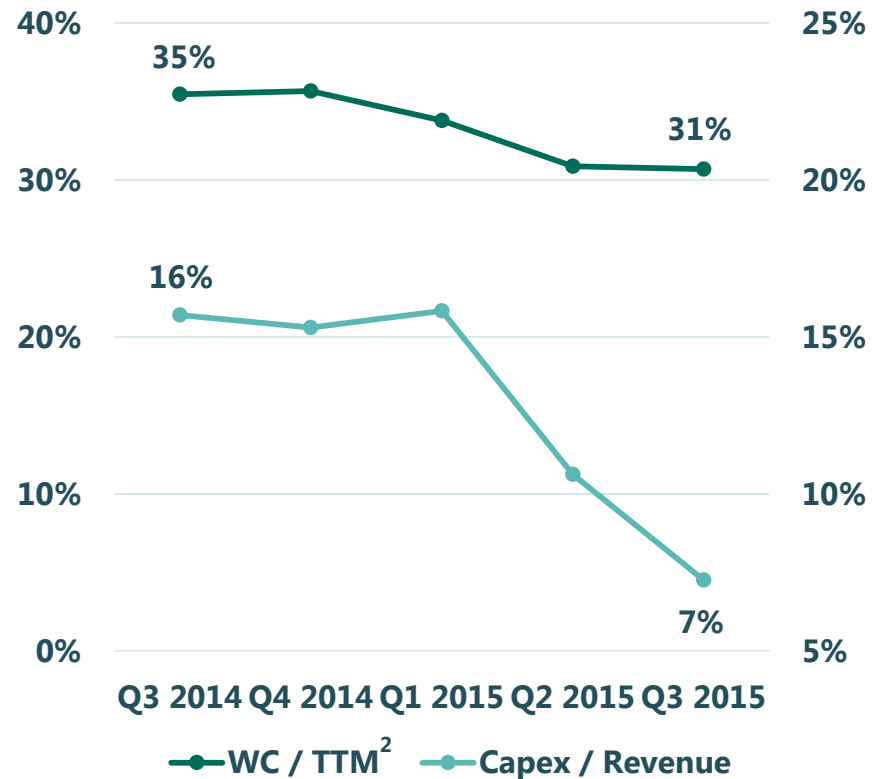
- Strong tubular sales validate FI value proposition delivered from fabrication and welding techniques
- Trusted go-to provider for “just-in-time” customer needs
- Margins improving as revenues increase and cost improvements are realized

# Process Improvements Gaining Momentum

## Managing Working Capital<sup>1</sup>



## Driving Efficiency



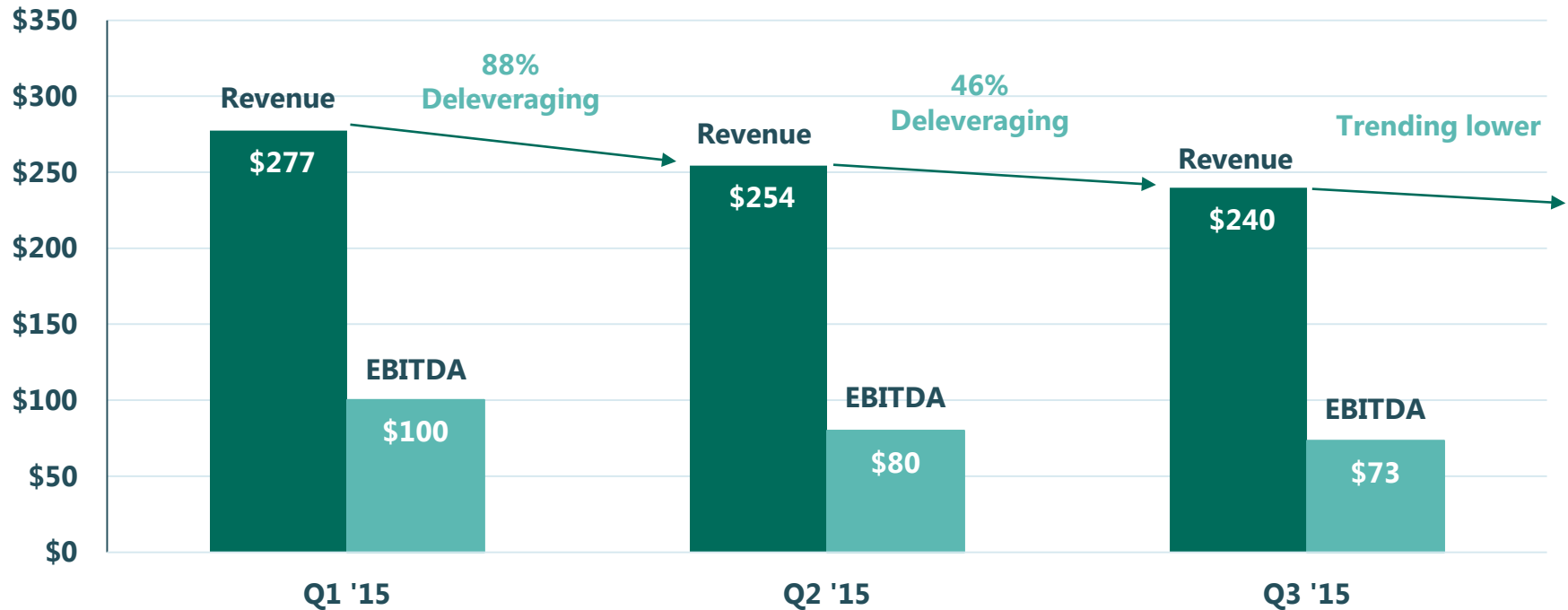
**Lean Initiatives Yielding Results**

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(1) Working Capital excludes cash and cash equivalents balances  
 (2) WC/TTM = Working capital excluding cash divided by trailing twelve months revenue

# Year-to-date Cost Deleveraging

EBITDA is trending lower per \$1.00 of revenue lost as opposed to \$0.88 per \$1.00 of revenue in Q1 2015



**Improved Deleveraging as Cost Actions Take Hold**

## **FWW B.V. Distribution**

- **FWW B.V., the Company's largest shareholder and a Mosing family company, has distributed 119,024,000 restricted common shares of the Company to the twelve Mosing family beneficial owners**
- **There is a 6 month lock-out to sell unless they utilize Frank's existing shelf registration**
- **Once the 6 month lock-out is over, each owner can sell in the open market provided they follow the protocol on an insider (filings, etc.)**
- **Mosing family maintains same level of ownership and no current known plans or time-table for that to change**

**Will Work Closely with Share Owners to Ensure Orderly Transition**



## Looking into 2016

- **More of the same in terms of low visibility, volatile activity and discussions around pricing discounts**
- **Some improvement in commodity prices expected in latter part of 2016, but realistic to see revenues down from 2015 levels**
- **Capital expenditures expected to be roughly \$75 million with cash flow neutral to positive for the year**
- **Control what we can control to offset what we can't by holding or growing market share and maintaining solid margins over the long-term**

**Questions?**

# Non-GAAP Reconciliations

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>Revenues</b>	\$ 239,883	\$ 254,304	\$ 296,183	\$ 771,624	\$ 833,612
Income from continuing operations	\$ 24,088	\$ 28,853	\$ 67,440	\$ 99,342	\$ 177,851
Interest (income) expense, net	(173)	31	13	(150)	(23)
Income tax expense	10,771	10,629	19,777	32,662	51,598
Depreciation and amortization	29,032	27,710	23,254	80,743	66,342
Loss (gain) on sale of assets	(1,392)	687	280	(521)	193
Foreign currency loss	5,329	2,767	526	6,563	526
Stock-based compensation expense	6,035	8,278	9,214	22,323	29,450
Severance and other charges	1,186	1,049	-	14,208	-
Change in value of contingent consideration	(1,532)	-	-	(1,532)	-
<b>Adjusted EBITDA</b>	\$ 73,344	\$ 80,004	\$ 120,504	\$ 253,638	\$ 325,937
<b>Adjusted EBITDA margin</b>	30.6%	31.5%	40.7%	32.9%	39.1%

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net cash provided by operating activities	\$ 79,475	\$ 115,783	\$ 111,982	\$ 295,387	\$ 273,927
Less: Capital expenditures	17,453	26,972	46,465	88,296	124,187
<b>Free cash flow</b>	\$ 62,022	\$ 88,811	\$ 65,517	\$ 207,091	\$ 149,740