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Frank's International NV (FI)

Q4 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Q4 2020 Frank's International N.V. Earnings Conference Call. My name is Mara and I'll be the operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded.

I will now turn the call over to Ms. Melissa Cogle. Melissa, you may begin.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

Good morning, and welcome to Frank's International conference call to discuss our fourth quarter and full year 2020 earnings. Our speakers today, as shown on slide 2 of the earnings presentation, are Mike Kearney, Chairman, President and Chief Executive Officer; and myself, Melissa Cogle, Senior Vice President and Chief Financial Officer. Joining us for the Q&A portion of today's call will be Steve Russell, Senior Vice President of Operations. A presentation has been posted on our website that we will refer to throughout this call. If you'd like to view this presentation, please go to the Investors section of our corporate website at franksinternational.com.

On today's call, Mike will provide an overview of our fourth quarter results, highlight some of our 2020 achievements, and discuss some of our technological highlights during the fourth quarter. I will then review the financial performance for the fourth quarter and provide some thoughts on 2021. We will close with a question-and-answer session.

Before we begin commenting on our fourth quarter and full year 2020 results, there are a few legal items that we would like to cover beginning on slide 3. First, remarks by company representatives may refer to or contain forward-looking statements. Such remarks are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such statements speak only as of today's date. The company assumes no responsibility to update any forward-looking statements as of any future date.

The company has included in its SEC filings cautionary language identifying important factors that could cause actual results to be materially different from those set forth in any forward-looking statements. A more complete discussion of these risks is included in the company's SEC filings, which may be accessed on the SEC's website or on our website at frankinternational.com. Please note that any non-GAAP financial measures discussed during this call are defined and reconciled to the most directly comparable GAAP financial measure in the fourth quarter 2020 earnings release, which was issued by the company.

I will now turn the call over to Mike.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

Thank you, Melissa. We appreciate everyone joining us for the call today. Turning to slide 4, we delivered solid fourth quarter results with total revenue increasing 14% sequentially to just over \$96 million. From an adjusted EBITDA standpoint, we were able to move the company back into positive territory and what we believed to be the bottom, with adjusted EBITDA increasing to \$4.6 million.

From an operational perspective, we experienced improved customer activity levels, primarily in our Tubular Running Services segment. We witnessed multiple rigs going back to work in several core operating areas after previously being sidelined due to the COVID-19 pandemic. Additionally, we experienced an improving revenue backdrop in our US onshore business, which mirrored the average US land rig count increasing over 20% in the fourth quarter.

In our Tubulars segment, revenue decreased slightly in the fourth quarter, mostly due to large tubular deliveries in the prior quarter. With that said, we were able to make progress on our goal of international expansion in this segment. Our tubular product and drilling tool sales increased internationally, which partially offset the fourth quarter revenue decline in the US market.

In our Cementing Equipment segment, revenue increased slightly in the fourth quarter, mostly due to the improvement in our US land business. More importantly, we made substantial progress on our goal of international expansion in this segment and I'm proud to report that our team delivered a 35% year-over-year increase in international revenue. The success of our international expansion partially offset year-over-year US market revenue declines, which have not recovered back to pre-COVID levels. Our international expansion improved fourth quarter profitability and helped drive margins back toward prior peak levels.

Before covering specific geography highlights, I would like to provide an update on the COVID-19 situation. We were encouraged that the COVID virus impact lessened during the fourth quarter. This was primarily due to the fact that lockdowns were lifted and borders in many countries were reopened. This allowed many of our customers to return to work, rigs to be redeployed, and activity levels to increase. Areas where we witnessed the greatest improvement in the fourth quarter occurred in regions that were some of the hardest hit by the pandemic during the prior two quarters, such as Africa.

Contrary to all of these positive signs, we continue to contend with many countries and operators instituting additional layers of travel protocols and restrictions which have reduced efficiencies and make it more challenging to operate. As you know, our customer base spans the globe and each of the geographies in which we operate face different degrees of COVID-related disruptions. We continue to see a wide range of customer responses even though many of our customers are on their way back to pre-COVID levels of activity.

Even though we experienced improved customer activity levels in the fourth quarter, we continue to be prepared to flex our operations up or down as the COVID situation warrants. At this point, our greatest concern revolves around infection rates from these highly contagious new strains of COVID. Clearly, it is not within our control if we see new country-wide lockdowns and border closings. We remain in active communication with our customers and we are working closely with them as we plan our operations. We will continue to update the market on how COVID-19 is impacting our business.

Now, I would like to describe some of our Q4 highlights as noted on slide 5, particularly our rig activity level movements in each of our geographies and some initial thoughts about 2021 activity levels. In our Asia Pacific region, activity levels remain steady with core customers in Indonesia, Malaysia and China. While the average offshore rig count in this region decreased over 20% sequentially, this was mostly driven by reduced activity in India, more of a commoditized market, in which we choose not to participate. We did experience an initial uptake in our cementing operations in this region, with several jobs executed in multiple countries during the fourth quarter.

In line with our strategy of expanding our cementing operations internationally, we will remain focused on building upon this momentum over the coming quarters. Looking to 2021, we see flattish activity levels during the first quarter with increases across our business lines beginning in the second quarter of the year. We remain focused on expanding our cementing and drilling tools work in this region as well as gaining additional market share for our core TRS work.

The Middle East was our most challenged region during the fourth quarter, primarily due to lower rig count. This market show resilience through the first several months of the pandemic as we gained additional market share with our existing customer base. In the last quarter of the year, we saw those gains flatten out and we're affected by a 19% average sequential decline in rig count in the fourth quarter. We're expecting rig counts to improve later in the year which should position us nicely for year-over-year meaningful growth.

In our Europe and Africa region, activity levels bottomed in the third quarter and improved significantly as multiple rigs returned to work in the fourth quarter. Our Europe-Africa region was our most improved area in the fourth quarter and we believe that we will be on track to achieve pre-COVID revenue levels in 2022 with additional rig work commencing in the second quarter of this year.

In Q4, our North American offshore region benefited from improved activity levels in the US Gulf of Mexico with additional rig deployments in the Caribbean and offshore Mexico. These improvements were partially offset by continued weakness in the Eastern Canada offshore market. We continue to be well-positioned in our core markets within our North American offshore region and are well-prepared to service our customers. We do see some customer activity dropping slightly during the first quarter in this region, and then a strong recovery beginning in the second quarter and continuing throughout the year, especially in the Caribbean and offshore Mexico.

The US onshore market rebounded nicely throughout the fourth quarter, with average US land rig count being up over 20% sequentially and end of the year of just over 350 rigs. Interestingly, there was no end-of-year seasonal downturn in US land as the rig count continued to rise through December and into January, reaching over 380 rigs at the end of last month. As we've previously discussed, our US land strategy focused on cost control and appropriately rightsizing the business to ensure we can flex our operations up further as the market continues to improve. The increased rig count and associated customer activity levels returned our US land business to positive adjusted EBITDA in the second half of the fourth quarter and leaves us well positioned for further improvement in 2021.

Finally, our South America region, although small, exited the year showing declines in keeping with the international rig count movement. We are seeing notable improvement with anchor contracts in the region beginning in the first quarter, and significant tendering activity which Frank's is aggressively pursuing.

Despite the challenges brought about in 2020, Frank's had several areas of notable achievement. The highlights of which are on slide 6. As we moved into 2020, our organization set out to achieve several important goals that would positively reshape our organization and position us well for 2021 and beyond. Our goals included properly rightsizing our operational footprint in line with changing market conditions, aggressively reducing our overall cost structure, generating free cash flow, and deploying value-creating technologies that will increase efficiency, reliability and safety for our customers. Despite the challenges that the COVID pandemic created, I'm very proud to report that not only did we achieve our goals for 2020, in many cases, we exceeded them.

As many of you know, our profit improvement program originally called for indirect and SG&A cost savings of \$30 million in 2020 and another \$15 million in 2021. I'm pleased to announce that we exceeded our cost reduction goals and achieved a 27% year-over-year reduction in our overall cost structure, inclusive of operational cost savings and indirect operational and SG&A support cost. Melissa will elaborate more on the details of our cost reduction efforts later in the call, but I want to recognize and thank our organization for accomplishing this difficult but necessary achievement, especially during these challenging times created by the COVID pandemic.

As I referred to earlier, we combined our Middle East and Asia-Pac operating regions and streamlined other operations to allow us to quickly flex our field strength up or down in line with market conditions. This positions our organization well for accelerated margin expansion in 2021 and beyond as market conditions most likely continue to improve.

Protecting our balance sheet was another major priority for our organization in 2020. Melissa will speak in more detail on our current liquidity position, but I'm very happy to report that despite a very challenging year, we exited 2020 in a position of financial strength matched by very, very few companies. The operational cost cuts we completed, along with our disciplined approach to capital spending, enabled us to generate positive free cash flow in the fourth quarter and for the full year. Our strong liquidity position and debt-free balance sheet positions Frank's to take advantage of potential opportunities in the marketplace as energy demand continues to rebound.

Finally, from a technology perspective, we stayed focused on our theme of innovation with a purpose, and creating services and products that are responsive to our customers' needs. We began 2020 with a reorganization of our R&D and technology efforts with the renewed purpose of prioritizing projects with the greatest near-term potential of commercialization and return on investment. We also became more focused on projects that incorporate digitalization to increase efficiency, reliability, and safety.

Our investment in equipment and software enabling remote operation keeps our employees and those of our customers and other service firms out of the red zone. The next generation of our Intelligent Connection Analyzed Make-Up System or iCAM is called iCAM Predictive. This technology provides automated evaluation of connection makeup data and seamlessly integrates with other Frank's TRS solutions. Additionally, our HI Tool Data Logger, Harmonic Isolation Tool, enables more efficient data acquisition for effective downhole decision-making. This product has been recognized by multiple customers for increased efficiency and meaningful cost savings.

Finally, our CENTRI-FI multi-machine control system has now been deployed with several customers. This advanced technology has been recognized for reducing the head count on a rig which greatly increases safety

and reduces our cost as well as those of our customers. And to top it off, as we mentioned last quarter, we were recognized as a finalist once again at the World Oil Awards with three different technologies. Our organization is extremely proud of the fact that our SKYHOOK device took home the award for best health, safety, environment sustainable development in the offshore category.

This further demonstrates our focus on ESG efforts through technological innovation. In short, it was a big year for the commercialization of impactful technologies at Frank's. It's exciting to bring technologies to the market that reduce cost for Frank's as well as for our customers while increasing efficiency, operational reliability and improving safety.

Lastly, I would like to call out our successful deployment of our Remote CAM Viewer on multiple jobs in the US onshore market. Our Remote CAM Viewer allows for the operation of the tong and the monitoring of the torque-turn graphs, to be performed remotely. This reduces cost by enhancing process efficiency and, once again, improve safety by reducing personnel on location. The Remote CAM Viewer enables one technician to communicate connection integrity on a real-time basis, decreasing potential errors and reducing personnel on location by 50%. This technology is a positive needle mover for our customers.

Another new technology focused on the US onshore market is our BIG EASY Composite Cement Retainer. We recently completed several successful jobs with this tool which focuses on increasing drilling efficiency and enhancing wellbore integrity. Our isolation plug design has a large bore area that enables higher pump rates, reducing rig time, while at the same time reducing the risk of erosion and the loss of seal integrity. Our isolation plug is easily drillable with any style of bit and has an improved slippery tension design, enabling it to perform well even in the most difficult well conditions. In short, our isolation plug design has enabled several of our customers to experience quick, cost-effective and efficient completion of remedial cementing operations.

Now, I'll turn the call over to Melissa Cogle who will discuss our financial results.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

Thank you, Mike. Referring to slide 7, despite a 14% growth in the fourth quarter, the company did see an overall revenue decline of 33% year-over-year driven by the tremendous reduction in rig activity. This was brought about by the pandemic and affected both domestic and international rig counts. Mike mentioned the drivers of our strong fourth quarter performance and we are optimistic these results indicate we are seeing a recovery pattern emerge, positioning us for further growth in 2021. Simply stated, we believe the worst is behind us.

Full-year adjusted EBITDA was \$9 million and fourth quarter adjusted EBITDA totaled \$4.6 million, representing a substantial improvement compared to the prior quarter. This also generated an incremental EBITDA margin of approximately 47%. Improved customer activity levels, especially in our Tubular Running Services segment and continued realization of our cost reduction measures, enabled our organization to move adjusted EBITDA back in a positive territory compared to the prior two quarters.

The company made clear our ambitious goal of achieving positive cash flows for the year and we are proud to close out 2020 meeting that goal. We produced \$39.7 million of operating cash flow, which enabled \$11.2 million of free cash flow generation. We were able to enhance free cash flow generation in the fourth quarter particularly due to improved customer activity levels, strong working capital management and a continued focus on limiting capital spend. As of year-end, the company had cash and cash equivalents of \$210 million and no outstanding debt on its credit facility.

Turning to slide 8. Our TRS revenue totaled \$65 million, generating \$3.8 million in adjusted EBITDA during the fourth quarter. Our TRS segment benefited from the redeployment of previously sidelined rigs and improving backdrop in our US land business. Our greatest area of regional improvement was in Africa, which bottomed in the third quarter and experienced a strong rebound in the fourth quarter with multiple rigs returning to work. Our North American offshore region benefited from strengthening in the Caribbean and increased activity levels in offshore Mexico.

In the Tubulars segment, as presented on slide 9, third quarter revenues totaled \$15.9 million, a decrease of 4% sequentially and 25% year-over-year. The slight sequential decrease in revenue was primarily due to strong tubular product sales in the prior quarter, which was partially offset by stronger tubular product and drill tool sales internationally during the fourth quarter.

Segment adjusted EBITDA totaled \$3.9 million or 25% of revenue in the fourth quarter. This compared to \$1.8 million or 11% of revenue in the prior quarter. The enhanced profitability in our Tubulars segment primarily reflects increased sales internationally and realization of fabrication and manufacturing efficiencies that have been initiated alongside our profitability improvement plan.

Concluding the segments on slide 10, Cementing Equipment segment revenue for the fourth quarter totaled \$15.5 million, which was a slight increase sequentially and largely due to US land business recovery. The 38% year-over-year decline was driven by reduced customer activity levels in both US land and US offshore markets. International growth in this segment increased 35% year-over-year and has played a meaningful role in enhancing segment profitability, which was also improved on the back of many operational cost reductions stemming from our business reorganization conducted in 2020. Segment adjusted EBITDA totaled \$4 million or 26% of revenue in the fourth quarter, compared to \$3.4 million or 23% of revenue in the prior quarter, resulting in an incremental EBITDA margin of approximately 120%.

Turning to slide 11. We have spoken throughout the year about our focus on redefining our cost structure and feel 2020 was a pivotal year for Frank's in this regard. We achieved an overall 27% reduction in cost or \$143 million year-over-year. \$88 million of those reductions could be characterized as relating to our direct operational cost base. Although some of our cost reduction initiatives focused in this area, our core efforts have been to permanently reduce our more fixed indirect support costs, including both cost of revenues and SG&A.

The entire company was engaged in this effort since November of 2019, and we achieved over \$55 million of savings year-over-year in this cost category, the vast majority of which is permanent. We have completed virtually all of our specific cost reduction initiatives and we'll see the full year benefit of those reductions in 2021, along with additional efficiencies we believe will be gained during the year from our ERP implementation which is going live presently.

And looking forward, and referenced on slide 12, we believe that activity levels troughed during the third quarter and we do not see signs of further weakening, barring any unexpected pandemic effects. We expect the activity level improvements seen in the fourth quarter to hold in the first quarter of 2021 and begin to build strongly [ph] once more (00:23:21) in the second quarter. We have clearer visibility that certain major projects will commence, giving us some confidence that the planned improvements beginning in the second quarter will materialize and provide a backdrop for full year revenue growth in the high single-digits.

Enabled by our PIP effort, we believe that the company has a path to achieve double digit adjusted EBITDA margins in 2021 with its revenue growth, benefited by the full year effect of our cost savings programs. We also intend to maintain our strong balance sheet and have once again set aggressive working capital improvement

goals to stretch ourselves and provide for positive free cash flow for the year. We will also hold our discipline around capital deployment and expect that 2021 CapEx should be approximately \$25 million.

With that, I will turn the call back over to Mike for a few closing comments before we open up the lines for Q&A.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

Thank you, Melissa. Before we close out today's call, I would like to reiterate a few key points. First, Frank's has a solid operational platform that positions our organization well for 2021 and beyond. Our Tubular Running Services segment experienced substantial improvement in the fourth quarter and we expect additional growth in 2021. In addition, further international expansion in our Tubulars and Cementing Equipment segments will be drivers of enhanced revenue and profitability as well.

Second, the achievement of our cost reduction targets transform the operational cost structure of our organization. The vast majority of those cost reductions are complete and we will see the full benefits of all these efforts in 2021. Third, despite a very challenging year created by COVID-19 pandemic, we executed our business strategy with one of the best safety records in the company's history.

Finally, despite the difficult year, our operational execution, capital discipline, and cost reduction efforts enabled us to further strengthen our balance sheet. We have one of the strongest balance sheets in the entire oilfield service universe and that places us in an enviable position to be able to act when potential opportunities arise.

In closing, I would like to thank all of our employees for their hard work and dedication in 2020. The difficulties we faced provided an opportunity for our employees to rise to the occasion yet again and deliver not only excellent service quality for our customers but also one of the best safety records in the company's history.

With that, operator, we're now ready to open the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And our first question comes from Ian Macpherson from Simmons. Please go ahead. Your line is open.

Ian Macpherson

Analyst, Simmons Energy

Q

Good morning, team. Congrats on the – on a really good results and outlook here.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

A

Thanks.

Ian Macpherson

Analyst, Simmons Energy

Q

Yeah. It's just I know cost cuts aren't necessarily enjoyable, but this is obviously a great outcome with the path forward. And so, I wanted to dig in a little bit. We saw in the incrementals that play out for this year, the 47% sequential consolidated incrementals for Q4 were impressive. And I know that the Tubulars business in particular is historically lumpy and moved around a lot from quarter to quarter. But when we look at the other two, TRS and Cementing, especially Cementing has really moved up into the mid-20s EBITDA margins. I assume that your outlook assumes that or better through 2021. And then, also maybe just a little more color on what you're thinking about the trajectory for TRS EBITDA margins as we move past Q1 and into the growth quarters beyond Q1.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

A

Okay. Why don't we take those in reverse order? So, I'll ask Steve to comment on the TRS first.

Steve Russell

Senior Vice President, Operations, Frank's International NV

A

Yeah. I think operationally, our TRS business shows incremental margins of anywhere sort of 40% to 60%. That's what falls through. So, you can sort of back calculate the maths based on that. The tubular business, it's a little bit lower depending on the mix of that business. As you know, that's two – there's a sales business and a service business embedded in there that have different incremental margins, but a little bit lower than on the TRS business.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

A

Yeah. I'll add to that on the Cementing side as well, Ian. So we actually have a little bit of products business on the Cementing side as well. And some of the Cementing growth this year, particularly in Q1, will be coming from US land which is a little bit of lower margin as well. So, I think we will end up for the year probably looking in that range that you're seeing in Q4, maybe a slight degradation but somewhere in that range. I think the difference is what do we see here in Q1. We're continuing to find that trajectory.

Ian Macpherson

Analyst, Simmons Energy

Q

That's helpful. Thank you both. And could you also remind me, if you want to again kind of generalize a little bit, within TRS and Cementing what the general mix is now between offshore and in land current run rate?

Steve Russell

Senior Vice President, Operations, Frank's International NV

A

Yeah. In the TRS business, it runs typically 70% to 80% offshore. Obviously 20% to 30% land. I don't have the latest Cementing numbers and that's obviously being driven by the recovery in US land that we have been seeing.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

A

I'm doing some quick math here. It looks like it's probably at least, give or take 20%, I think you said 20% to – I was busy doing my math off. 20% to 30% land, and yeah, 70% to 80% offshore.

Steve Russell

Senior Vice President, Operations, Frank's International NV

A

Yes.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

A

Yeah. [ph] One point that I made earlier (00:29:45), Ian, that I would like to emphasize is, on the Tubulars side, with those two businesses being so different, the drilling tools and the actual tubular business, we're projecting we'll continue to see volatility in that as we move into this year. Overall, we feel pretty good about it, but there will be lumpiness there. So, I'm glad you pointed that out.

Ian Macpherson

Analyst, Simmons Energy

Q

Yeah. Okay. Well, Mike, now with improve visibility for this year, your balance sheet, we can – still pretty good or comfortable free cash flow for this year. Where are we now with seeking more confidently about deploying capital, either back into the business or resuming a dividend program?

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

A

Yeah. I think dividends are still a little ways off, of course it'd be nice in the future to reinstitute a small dividend, but we're not even actually thinking about that right now. In terms of the CapEx, we're going to try to keep our CapEx pretty much in line this year with last year. It's really a challenge, we have so many good new technologies and they do require capital. This isn't just a steady state business, we're always trying to invent, invent with a purpose. The things we've come up with over the last year the customers love, but it takes capital to build them. So, it's that highwire act of trying to roll out new technologies generally having higher margins and not spend a lot of money at the same time. So, it doesn't fit neatly in the same bag but we're going to do our best to reinvest in the business wisely is all I can say.

Ian Macpherson

Analyst, Simmons Energy

Q

Okay. Thanks, Mike. I'll pass it over.

Operator: Thank you. Our next question comes from Taylor Zurcher. Please go ahead. Your line is open.

Taylor Zurcher

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Hey. Good morning. And let me echo Ian on congrats for a great quarter. My first question is, with respect to the 2021 guidance, you're basically framing things as high single-digits revenue growth year-over-year. I was wondering if you could help us think about the revenue growth you're expecting or that's embedded in that forecast on a segment level and which ones might grow faster than that high single-digits rate, which one might grow lower than that. And then specific to TRS, I'm just curious, as we think about the ramp Q2 and beyond, if you could point to any specific regions that are driving the bulk of that growth.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

Yeah. So, I think if we start with just the growth, you could expect that TRS is probably going to be the most stable if you will. We've got the international expansion. Again, smaller, it's – are we going on numbers or percentages? But I think you could expect the high single-digits sort of across the board a little bit more coming in on the smaller segments as we are continuing the international footprint expansion and probably right in the zone there on the TRS side. I think your other question around – Taylor, remind me.

Taylor Zurcher

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Just the regional drivers within TRS. [indiscernible] (00:33:04).

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

The regional driver. Yeah. So, no, it was – it's largely – I'll let Steve – but it's largely – Africa is probably our single strongest region for the year.

Steve Russell

Senior Vice President, Operations, Frank's International NV

Yeah. I mean, I think as everybody is aware, Africa all but shut down here during Q2, Q3 2020 with COVID hitting. We've seen a wake up in Africa in Q4 and we sort of continue to expect that as we go through Q1 and then particularly in Q3 – Q2, sorry, Africa waking back up again. We've also got some projects starting up in Australia and Brazil where we have line of sight to some fairly substantial projects starting up in Q2 onwards.

Taylor Zurcher

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Okay. Great. Thanks. And specific to TRS again, it feels like a lot of the growth in Q4 and probably a lot of the activity in Q1 is attributed to some COVID-induced slowdown activity that's starting to come back. And so, I'm curious, for the full-year 2021, are you starting to see operators progress forward with deepwater projects that maybe didn't exist prior to COVID or the real true incremental activity? Or is it still kind of just resumption of activity that have slowed down due to COVID?

Steve Russell

Senior Vice President, Operations, Frank's International NV

Yeah. I think there's a little bit of both in there. Yeah. The rebound we've seen to-date was really sort of COVID projects coming back on stream again. But we have seen and are talking to clients now about projects restarting. Again, I'll call out the Eastern Mediterranean here where it was totally dead last year, but now clients are looking and starting to plan projects in that part of the world where those would typically kick in, we're expecting somewhere around Q2, Q3.

Taylor Zurcher

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Got it. Thanks for the answers. That's it for me.

Operator: Thank you. Our next question comes from Jason Bandel from Evercore. Please go ahead. Your line is open.

Jason Bandel

Analyst, Evercore Group LLC

Hi. Good morning.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

Good morning.

Jason Bandel

Analyst, Evercore Group LLC

My first question, I guess, I'll start on the US land side of the business. I know you guys spent a lot of time and effort of pulling out costs and rightsizing locations in 2020, and the market obviously has started to recover off a very low base. How do you guys balance trying to be opportunistic with the ability to keep your cost structure low and in place?

Steve Russell

Senior Vice President, Operations, Frank's International NV

Yeah. When we went into the downturn in US land, we really wanted to keep ourselves where we had a sort of an operational footprint where we could service the basins but then sort of pull the costs down and we did that with a number of mechanisms primarily focusing on sort of multiskilling people and having folks that generally work in a base going out and doing jobs. That gives us the sort of footprint and the base in each of those basins to rebound back up again.

And I mean, obviously as everybody's been watching the rig count, we've seen it bounce back again. That started in the Permian and the Eagle Ford, but we've now started seeing recovery in most of the other basins. So, we're sitting, we think, quite well to pick up that activity in all basins as it picks back up again here.

Jason Bandel

Analyst, Evercore Group LLC

Okay. That makes sense. And then, on the technology side, I know, Mike, you spent some time on the call highlighting some of the commercialized technologies that you guys deployed into the field. Can you talk about your approach to monetizing your technology developments and what customer adoption rates look like especially for some of the remote-operated technology that you guys are deploying?

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

A

Yeah. I'll start it off and then let Steve pick up. The customers really appreciate the remote nature of a lot of our technologies. Most of – not all, but most of what we are working on now focuses on safety, getting people out of the red zone. Even on land, this Remote CAM Viewer basically takes a – takes two positions down to one. So, that's a good example of a way we can cut costs and try to remain competitive and provide the customer with some additional advantages.

But it's very exciting, these new technologies. Of course, the industry is slow to adopt so we usually go out with several field trials and there's more and more uptake. So, I wish we could flip a switch and have all customers adopt at the same rate but that's not reality. But we're really seeing very, very good uptake from our customers. So, it's back to that balancing act of – I think we're probably going to be more constrained on – in a way on the capital we want to devote compared to customer uptake. But as I said, that's the tightrope we need to walk. And of course, it takes time to build these devices. There's lead time as well.

So once again, we've – we do sales and operational planning. We're in close contact with the customers. So, I think we've got a pretty good job of calibrating kind of the rollout of the technology and spending the capital with the customer uptake. So, Steve, I don't know if you want to add anything to that.

Steve Russell

Senior Vice President, Operations, Frank's International NV

A

Yeah. I think in Mike's prepared comments there, there was commentary on some sort of de-crewing type technologies that we're putting in there and I think COVID has accelerated the demand for that. But I think that will stick in a post-COVID world, a demand for having less people to be able to provide operations on a rig site. So, like Mike mentioned, we're pushing those out quite aggressively and we're fairly hopeful on customer uptake on those.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

A

Yeah. And maybe a final comment to chime in here and say, it is in our objective list this year too. There are several companies that are technologically sort of – that specialize in monetization and they have what's called a vitality index. We have a vitality index as well, although admittedly we're looking to sharpen that metric which will help to guide us off on customer – like formal customer adoption rates in the future. So, it's part of our wave of the future to really get sharper on the ability to stick to those metrics.

Jason Bandel

Analyst, Evercore Group LLC

Q

Thanks. That was helpful. Well, let me – I'll try to squeeze one more in here. I guess coming out of the downturn and so far in the early stages of the recovery, can you talk about if the competitive landscape has changed or evolved at all? And obviously, you have a structurally smaller US land market and you touched on the – your prepared remarks about customers' responses being varied internationally. How are you kind of seeing this customer that have landscape evolve here?

Steve Russell

Senior Vice President, Operations, Frank's International NV

A

Yeah. Again, I think it's quite different in the different markets that we operate here. You mentioned US land specifically. I mean, there has been some competitor consolidation on US land, but it still remains a highly

competitive marketplace there. I feel we have seen bottom in pricing in US land and we're sort of testing some price increases as we speak in US land to see if they stick.

In the international marketplace, again, there are some regional competitors in there in certain markets, but on a sort of a global basis, our main competitor is still out there. And I wouldn't say there has been any material change from what we've seen in the past on how we compete with them.

Jason Bandel

Analyst, Evercore Group LLC

Okay. Thanks for the time. Appreciate the answers.

Melissa L. Kling Cogle

Chief Financial Officer & Senior Vice President, Frank's International NV

Thank you.

Operator: Thank you. And I'm not showing any further questions at this time. I would like to turn the call over to Mr. Michael Kearney for closing remarks.

Michael C. Kearney

Chairman, President & Chief Executive Officer, Frank's International NV

Okay. Thank you, operator. I'd like to close by reinforcing our unwavering commitment to safety and remaining the high value, low risk provider of services and products to our customers. We look forward to updating you on our progress and performance in our first quarter call which will be in May. Thanks to everyone to be on the call and your interest in Frank's. Goodbye.

Operator: Thank you. And thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.

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