CORVEL CORP
Form SC 13G/A
February 07, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 22)*

CorVel Corporation

(Name of Issuer)

Common Stock, $0.0001 Par Value Per Share

(Title of Class of Securities)

221006109

(CUSIP Number)

December 31, 2018

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1. NAMES OF REPORTING PERSONS

V. Gordon Clemons

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5.	SOLE VOTING POWER 1,861,612
	6.	SHARED VOTING POWER 0
	7.	SOLE DISPOSITIVE POWER 1,861,612
	8.	SHARED DISPOSITIVE POWER 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,861,612

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.96%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

Item 1(a). Name of Issuer:
CorVel Corporation (the Issuer)

Item 1(b). Address of Issuer s Principal Executive Offices:
2010 Main Street, Suite 600

Irvine, CA 92614

Item 2(a). Name of Person Filing:
V. Gordon Clemons (Mr. Clemons)

Item 2(b). Address of Principal Business Office or, if None, Residence:
c/o CorVel Corporation

2010 Main Street, Suite 600, Irvine, CA 92614

Item 2(c). Citizenship
United States of America

Item 2(d). Title of Class of Securities:
Common Stock, $0.0001 Par Value Per Share

Item 2(e). CUSIP Number:
221006109

Item 3. If This Statement is Filed Pursuant to Sections 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) Broker or dealer registered under section 15 of the Act;

(b) Bank as defined in section 3(a)(6) of the Act;

(c) Insurance company as defined in section 3(a)(19) of the Act;

(d) Investment company registered under section 8 of the Investment Company Act of 1940;

(e) An investment adviser in accordance with Section 240.13d-1(b)(1)(ii)(E);

(f) An employee benefit plan or endowment fund in accordance with Section 240.13d-1(b)(1)(ii)(F);

(g) A parent holding company or control person in accordance with Section 240.13d-1(b)(1)(ii)(G);

(h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940;

(j) A non-U.S. institution in accordance with Section 240.13d-1(b)(1)(ii)(J);

(k) Group, in accordance with Section 240.13d-1(b)(1)(ii)(J).

If filing as a non-U.S. institution in accordance with Section 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Not Applicable

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount Beneficially Owned: 1,861,612

(b) Percent of Class: 9.96%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote: 1,861,612

(ii) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 1,861,612

(iv) Shared power to dispose or to direct the disposition of: 0

As of December 31, 2018, Mr. Clemons beneficially owns 1,861,612 shares of Common Stock of the Issuer.

Mr. Clemons beneficial ownership, including all shares owned directly represents 9.96% in the aggregate of the Issuer s outstanding Common Stock.

Item 5. Ownership of 5 Percent or Less of a Class.
If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following.

Not Applicable

Item 6. Ownership of More than 5 Percent on Behalf of Another Person.
Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.
Not Applicable

Item 8. Identification and Classification of Members of the Group.
Not Applicable

Item 9. Notice of Dissolution of Group.
Not Applicable

Item 10. Certifications.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under Section 240.14a-11.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 6, 2019 /s/ V. GORDON CLEMONS

Name: V. Gordon Clemons

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative other than an executive officer or general partner of the filing person, evidence of the representative s authority to sign on behalf of such person shall be filed with the statement, *Provided*, *however*, That a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d 7 for other parties for whom copies are to be sent.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

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36,530

31,940

Weighted average shares outstanding

Basic
92,129

88,533

Diluted
95,191

94,356

Earnings per share

Basic
$
0.40

$
0.36

Diluted
$
0.38

$
0.34

Other comprehensive income, net of tax:

Net income
36,506

31,938

Change in foreign currency translation, net of tax of $0
1,030

(22,749
)
Gain on pension liability
2

—

Comprehensive income
37,538

9,189

Less: comprehensive loss (income) attributable to noncontrolling interests
27

62

Comprehensive income attributable to common stockholders
$
37,565

$
9,251

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

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Forum Energy Technologies, Inc. and subsidiaries
Condensed consolidated balance sheets
(Unaudited)

(in thousands, except share information)	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$66,954	$39,582
Accounts receivable—trade, net	280,151	250,272
Inventories	439,838	441,049
Prepaid expenses and other current assets	22,887	29,707
Costs and estimated profits in excess of billings	23,330	24,012
Deferred income taxes, net	24,381	24,846
Total current assets	857,541	809,468
Property and equipment, net of accumulated depreciation	180,085	180,292
Deferred financing costs, net	15,024	15,658
Intangibles	287,844	295,352
Goodwill	799,239	802,318
Investment in unconsolidated subsidiary	65,600	60,292
Other long-term assets	5,384	5,489
Total assets	$2,210,717	$2,168,869
Liabilities and equity		
Current liabilities		
Current portion of long-term debt	$974	$998
Accounts payable—trade	122,302	100,221
Accrued liabilities	90,592	96,529
Deferred revenue	19,380	15,837
Billings in excess of costs and profits recognized	15,921	6,398
Total current liabilities	249,169	219,983
Long-term debt, net of current portion	476,631	512,077
Deferred income taxes, net	98,734	97,774
Other long-term liabilities	8,736	8,069
Total liabilities	833,270	837,903
Commitments and contingencies		
Equity		
Common stock, $0.01 par value, 296,000,000 shares authorized, 93,243,246 and 92,803,389 shares issued	932	928
Additional paid-in capital	835,270	826,064
Treasury stock at cost, 3,592,791 and 3,585,098 shares	(30,469)	(30,249)
Warrants	640	687
Retained earnings	561,670	525,140
Accumulated other comprehensive loss	8,820	7,785
Total stockholders’ equity	1,376,863	1,330,355
Noncontrolling interest in subsidiary	584	611
Total equity	1,377,447	1,330,966
Total liabilities and equity	$2,210,717	$2,168,869

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

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Forum Energy Technologies, Inc. and subsidiaries
Condensed consolidated statements of cash flows
(Unaudited)

	Three Months Ended March 31,	
(in thousands, except share information)	2014	2013
Cash flows from operating activities		
Net income	$36,506	$31,938
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	9,123	8,473
Amortization of intangible assets	6,775	5,463
Share-based compensation expense	4,339	3,488
Deferred income taxes	1,425	1,834
Earnings from equity investment, net of distributions	(5,308)	—
Other	1,992	733
Changes in operating assets and liabilities		
Accounts receivable—trade	(34,345)	(18,802)
Inventories	533	21,717
Prepaid expenses and other current assets	8,790	(1,037)
Accounts payable, deferred revenue and other accrued liabilities	22,667	(2,966)
Billings in excess of costs and estimated profits earned, net	10,389	(22,347)
Net cash provided by operating activities	$62,886	$28,494
Cash flows from investing activities		
Acquisition of businesses, net of cash acquired	—	(1,502)
Capital expenditures for property and equipment	(11,083)	(10,108)
Proceeds from sale of business, property and equipment	6,674	182
Net cash used in investing activities	$(4,409)	$(11,428)
Cash flows from financing activities		
Borrowings under Credit Facility due to acquisitions	—	1,502
Borrowings under Credit Facility	—	8,391
Repayment of long-term debt	(35,470)	(42,005)
Excess tax benefits from stock based compensation	1,854	1,512
Repurchases of stock	(220)	—
Proceeds from stock issuance	2,971	1,737
Deferred financing costs	(6)	—
Net cash used in financing activities	$(30,871)	$(28,863)
Effect of exchange rate changes on cash	(234)	(2,321)
Net increase (decrease) in cash and cash equivalents	27,372	(14,118)
Cash and cash equivalents		
Beginning of period	39,582	41,063
End of period	$66,954	$26,945

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

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

1. Organization and basis of presentation

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

Basis of presentation

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

The Company's investment in an operating entity where the Company has the ability to exert significant influence, but does not control operating and financial policies, is accounted for using the equity method. The Company's share of the net income of this entity is recorded as "Earnings from equity investment" in the condensed consolidated statements of comprehensive income. The investment in this entity is included in "Investment in unconsolidated subsidiary" in the condensed consolidated balance sheets. The Company reports its share of equity earnings within operating income as the investee's operations are similar in nature to the operations of the Company.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of the Company's financial position, results of operations and cash flows have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ended December 31, 2014 or any other interim period.

These interim financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("GAAP") for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, which are included in the Company’s 2013 Annual Report on Form 10-K filed with the SEC on February 28, 2014 (the "Annual Report").

2. Recent accounting pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("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 April 2014, the FASB issued Accounting Standards Update ("ASU") 2014-08 — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is effective for the Company for the fiscal year beginning January 1, 2015, and is not expected to have a material impact on the consolidated financial statements.

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

3. Acquisitions and investment in joint venture

2013 Acquisitions

Effective July 1, 2013, the Company completed the following two acquisitions for aggregate consideration of approximately $180.0 million:

- Blohm + Voss Oil Tools GmbH and related entities ("B+V"), a manufacturer of pipe handling equipment used on offshore and onshore drilling rigs with locations in Hamburg, Germany and Willis, Texas. B+V is included in the Drilling & Subsea segment; and
- Moffat 2000 Ltd. ("Moffat"), a Newcastle, England based manufacturer of subsea pipeline inspection gauge launching and receiving systems, and subsea connectors. Moffat is included in the Drilling & Subsea segment.

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

	2013 Acquisitions
Current assets, net of cash acquired	$60,669
Property and equipment	4,545
Intangible assets (primarily customer relationships)	59,242
Non-tax-deductible goodwill	100,257
Current liabilities	(17,619)
Long term liabilities	(7,879)
Deferred tax liabilities	(20,108)
Net assets acquired	$179,107

Revenues and net income related to the 2013 acquisitions were not significant for the year ended December 31, 2013. Pro forma results of operations for the 2013 acquisitions have not been presented because the effects were not material to the consolidated financial statements on either an individual or aggregate basis.

Effective July 1, 2013, the Company jointly purchased Global Tubing, LLC ("Global Tubing") with an equal partner, with management retaining a small interest. Global Tubing is a Dayton, Texas based provider of coiled tubing strings and related services. The Company's equity investment is reported in the Production & Infrastructure segment and is accounted for using the equity method of accounting. As Global Tubing's products are complementary to the Company’s well intervention and stimulation products and the investment's business is integral to the Company's operations, the earnings from the equity investment are included within operating income.

4. Inventories

The Company's significant components of inventory at March 31, 2014 and December 31, 2013 were as follows (in thousands):

	March 31, 2014	December 31, 2013
Raw materials and parts	$135,158	$139,573
Work in process	52,431	51,819
Finished goods	282,548	276,076
Gross inventories	470,137	467,468
Inventory reserve	(30,299)	(26,419)
Inventories	$439,838	$441,049

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

5. Goodwill and intangible assets

Goodwill

The changes in the carrying amount of goodwill from January 1, 2014 to March 31, 2014, were as follows (in thousands):

	Drilling & Subsea	Production & Infrastructure	Total
Goodwill Balance at January 1, 2014 net	$723,355	$78,963	$802,318
Acquisitions, divestitures and measurement period adjustments	(3,655)	—	(3,655)
Impact of non-U.S. local currency translation	722	(146)	576
Goodwill Balance at March 31, 2014 net	$720,422	$78,817	$799,239

Intangible assets

Intangible assets consisted of the following as of March 31, 2014 and December 31, 2013, respectively (in thousands):

	March 31, 2014			
	Gross carrying amount	Accumulated amortization	Net amortizable intangibles	Amortization period (in years)
Customer relationships	$283,522	$(72,507)	$211,015	4-15
Patents and technology	32,323	(6,593)	25,730	5-17
Non-compete agreements	6,588	(5,161)	1,427	3-6
Trade names	46,740	(12,860)	33,880	10-15
Distributor relationships	22,160	(11,598)	10,562	8-15
Trademark	5,230	—	5,230	Indefinite
Intangible Assets Total	$396,563	$(108,719)	$287,844	

	December 31, 2013			
	Gross carrying amount	Accumulated amortization	Net amortizable intangibles	Amortization period (in years)
Customer relationships	$283,171	$(67,435)	$215,736	4-15
Patents and technology	33,843	(6,510)	27,333	5-17
Non-compete agreements	6,577	(5,108)	1,469	3-6
Trade names	46,654	(11,948)	34,706	10-15
Distributor relationships	22,160	(11,282)	10,878	8-15
Trademark	5,230	—	5,230	Indefinite
Intangible Assets Total	$397,635	$(102,283)	$295,352	

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

6. Debt

Notes payable and lines of credit as of March 31, 2014 and December 31, 2013 consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
6.25% Senior Notes due October 2021	$403,106	$403,208
Senior secured revolving credit line	73,000	108,000
Other debt	1,499	1,867
Total debt	477,605	513,075
Less: current maturities	(974)	(998)
Long-term debt	$476,631	$512,077

Senior Notes Due 2021

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

Credit Facility

The Company has a Credit Facility with several financial institutions as lenders that provides for a $600.0 million revolving credit facility with up to $75.0 million available for letters of credit and up to $25.0 million in swingline loans. Subject to terms of the Credit Facility, the Company has the ability to increase the revolving Credit Facility by an additional $300.0 million. The Credit Facility matures in November 2018. Weighted average interest rates under the Credit Facility at March 31, 2014 and December 31, 2013 were 2.16% and 2.17%, respectively.

Availability under the Credit Facility was approximately $513.9 million at March 31, 2014. There have been no changes to the financial covenants disclosed in Item 7 of the Annual Report and the Company was in compliance with all financial covenants at March 31, 2014.

7. Income taxes

The Company's effective tax rate for the was 30.0% for the three months ended March 31, 2014 and was 32.5% for the three months ended March 31, 2013. The tax provision for the three months ended March 31, 2014 is lower than the comparable period in 2013 primarily due to a higher proportion of our earnings being generated outside the U.S. in jurisdictions subject to lower tax rates and benefits received from other tax incentives.

8. Fair value measurements

At March 31, 2014, the carrying value of the Credit Facility was $73.0 million. Substantially all of the debt incurs interest at a variable interest rate and, therefore, the carrying amount approximates fair value. The fair value of the debt is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities.

The fair value of the Company’s Senior Notes is estimated using Level 2 inputs in the fair value hierarchy and is based on quoted prices for those or similar instruments. At March 31, 2014, the fair value and the carrying value of the Company’s Senior Notes approximated $426.3 million and $403.1 million, respectively. At December 31, 2013, the fair value and the carrying value of the Company’s Senior Notes approximated $419.3 million and $403.2 million, respectively.

There were no outstanding financial assets as of March 31, 2014 and December 31, 2013 that required measuring the amounts at fair value. The Company did not change its valuation techniques associated with recurring fair value measurements from prior periods and there were no transfers between levels of the fair value hierarchy during the three months ended March 31, 2014.

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

9. Business segments

The Company’s operations are divided into the following two operating segments, which are our reportable segments: Drilling & Subsea ("D&S") and Production & Infrastructure ("P&I"). The amounts indicated below as "Corporate" relate to costs and assets not allocated to the reportable segments. Summary financial data by segment follows (in thousands):

	Three months ended March 31,	
	2014	2013
Revenue:		
Drilling & Subsea	$261,769	$221,939
Production & Infrastructure	142,575	151,210
Intersegment eliminations	(406)	(150)
Total Revenue	$403,938	$372,999
Operating income:		
Drilling & Subsea	$47,065	$35,156
Production & Infrastructure	23,882	21,374
Corporate	(8,741)	(7,173)
Total segment operating income	62,206	49,357
Transaction expenses	128	9
Loss (gain) on sale of assets and other	689	135
Income from operations	$61,389	$49,213

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

	March 31, 2014	December 31, 2013
Assets		
Drilling & Subsea	$1,675,763	$1,655,355
Production & Infrastructure	476,839	468,520
Corporate	58,115	44,994
Total assets	$2,210,717	$2,168,869

10. Earnings per share

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

	Three Months Ended March 31,	
	2014	2013
Net Income attributable to common stockholders	$36,530	$31,940
Average shares outstanding (basic)	92,129	88,533
Common stock equivalents	3,062	5,823
Diluted shares	95,191	94,356
Earnings per share		
Basic earnings per share	$0.40	$0.36
Diluted earnings per share	$0.38	$0.34

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The diluted earnings per share calculation excludes approximately 0.8 million and 1.0 million stock options for the three months ended March 31, 2014 and 2013, respectively, because they were anti-dilutive as the option exercise price was greater than the average market price of the common stock.

11. Commitments and contingencies

In the ordinary course of business, the Company is, and in the future could be, involved in various pending or threatened legal actions, that may or may not be covered by insurance. Management has reviewed such pending judicial and legal proceedings, the reasonably anticipated costs and expenses in connection with such proceedings, and the availability and limits of insurance coverage, and has established reserves that are believed to be appropriate in light of those outcomes that are considered to be probable and can be reasonably estimated. The reserves accrued at March 31, 2014 and 2013, respectively, are immaterial. It is management's opinion that the Company's ultimate liability, if any, with respect to these actions is not expected to have a material adverse effect on the Company’s financial position, results of operations or cash flows.

12. Stockholders' equity

Share-based compensation

During the three months ended March 31, 2014, the Company granted 368,054 options and 629,409 shares of restricted stock or restricted stock units, which includes 115,610 performance share awards with a market condition. The stock options were granted on February 21, 2014 with an exercise price of $26.96. Of the restricted stock or restricted stock units granted, 472,066 vest ratably over four years on each anniversary of the grant date. 41,733 shares of restricted stock or restricted stock units were granted to the non-employee members of the Board of Directors, which have a twelve month vesting period from the date of grant. The performance share awards granted may settle for between zero and two shares of the Company's common stock. The number of shares issued pursuant to the performance share awards will be determined based on the total shareholder return of the Company's common stock as compared to a group of peer companies, measured annually over a three-year performance period.

13. Related party transactions

The Company entered into lease agreements for office and warehouse space with former owners of acquired companies or affiliates of a director. The Company has sold and purchased inventory, services and fixed assets to and from various affiliates of certain directors. The dollar amounts related to these related party activities are not significant to the Company’s condensed consolidated financial statements.

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Management's Discussion and Analysis
of Financial Condition and Results of Operations
Item 2. Management’s discussion and analysis of financial condition and results of operations
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS
This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control. All statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “continue,” “potential,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.
Forward-looking statements may include statements about:
•business strategy;
•cash flows and liquidity;
•the volatility of oil and natural gas prices;
•our ability to successfully manage our growth, including risks and uncertainties associated with integrating and retaining key employees of the businesses we acquire;
•the availability of raw materials and specialized equipment;
•availability of skilled and qualified labor;
•our ability to accurately predict customer demand;
•competition in the oil and gas industry;
•governmental regulation and taxation of the oil and natural gas industry;
•environmental liabilities;
•political, social and economic issues affecting the countries in which we do business;
•our ability to deliver our backlog in a timely fashion;
•our ability to implement new technologies and services;
•availability and terms of capital;
•general economic conditions;
•benefits of our acquisitions;
•availability of key management personnel;
•operating hazards inherent in our industry;
•the continued influence of our largest shareholder;
•the ability to establish and maintain effective internal control over financial reporting;
•the ability to operate effectively as a publicly traded company;
•financial strategy, budget, projections and operating results;
•uncertainty regarding our future operating results; and
•plans, objectives, expectations and intentions contained in this report that are not historical.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 28, 2014 and elsewhere in this Quarterly Report on Form 10-Q. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Overview

We are a global oilfield products company, serving the subsea, drilling, completion, production and infrastructure sectors of the oil and natural gas industry. We design, manufacture and distribute products, and engage in aftermarket services, parts supply and related services that complement our product offering. Our product offering includes a mix of highly engineered capital products and frequently replaced items that are used in the exploration, development, production and transportation of oil and natural gas. Our capital products are directed at: drilling rig equipment for new rigs, upgrades and refurbishment projects; subsea construction and development projects; the placement of production equipment on new producing wells; and downstream capital projects. Our engineered systems are critical components used on drilling rigs or in the course of subsea operations, while our consumable products are used to maintain efficient and safe operations at well sites in the well construction process, within the supporting infrastructure, and at processing centers and refineries. Historically, just over half of our revenue is derived from activity-based consumable products, while the balance is derived from capital products and a small amount from rental and other services.

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

We operate two business segments:

- Drilling & Subsea segment. We design and manufacture products and provide related services to the subsea, drilling, well construction, completion and intervention markets. Through this segment, we offer subsea technologies, including robotic vehicles and other capital equipment, specialty components and tooling, a broad suite of complementary subsea technical services and rental items, and applied products for subsea pipelines; drilling technologies, including capital equipment and a broad line of products consumed in the drilling and well intervention process; and downhole technologies, including cementing and casing tools, completion products, and a range of downhole protection solutions.
- Production & Infrastructure segment. We design and manufacture products and provide related equipment and services to the well stimulation, completion, production and infrastructure markets. Through this segment, we supply flow equipment, including well stimulation consumable products and related recertification and refurbishment services; production equipment, including well site production equipment and process equipment; and valves, which includes a broad range of industrial and process valves.

Market Conditions

The demand for our products and services is ultimately driven by energy prices and the expectation of exploration and production companies as to future trends in those prices. Management believes that the long-term fundamentals underlying the global demand for energy, such as long-term economic and demographic trends, remain strong. The level of demand for our products and services is directly related to activity levels and the capital and operating budgets of our customers, which in turn are influenced heavily by the outlook for energy prices.

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

	Three months ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Average global oil, $/bbl			
West Texas Intermediate	$98.65	$97.51	$94.30
United Kingdom Brent	$107.19	$109.31	$111.36
Average North American Natural Gas, $/Mcf			
Henry Hub	$5.15	$3.85	$3.48

Crude oil prices appear adequate to generally maintain the current level of exploration and production activity, including the development of deepwater prospects, which stimulate demand for our subsea products and services. Current oil prices are also supporting a generally steady level of oil related activity, both offshore and onshore. North American natural gas prices were higher in the first quarter of 2014, partially due to higher demand resulting from a cold winter season. Higher natural gas prices could result in higher exploration and development activity in North America, which could result in increased demand for our products, principally those tied to products and services we provide to the pressure pumping service sector and the land based drilling industry.

Corresponding to the commodity price levels, the average active rig count data below, based on the weekly Baker Hughes Incorporated rig count, reflect a broad measure of industry activity and resultant demand for our drilling and production related products and services.

	Three months ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Active Rigs by Location			
United States	1,779	1,757	1,758
Canada	525	379	531
International	1,337	1,321	1,274
Global Active Rigs	3,641	3,457	3,563
Land vs. Offshore Rigs			
Land	3,267	3,082	3,194
Offshore	374	375	369
Global Active Rigs	3,641	3,457	3,563
U.S. Commodity Target			
Oil/Gas	1,429	1,382	1,330
Gas	347	370	424
Unclassified	3	5	4
Total U.S. Rigs	1,779	1,757	1,758
U.S. Well Path			
Horizontal	1,183	1,120	1,126
Vertical	387	409	440
Directional	209	228	192
Total U.S. Active Rigs	1,779	1,757	1,758

Generally, our sales are impacted by changes in rig activity and wells completed. While the rig count decreased over the course of 2013, the average rig count in the first quarter of 2014 increased 2% from the first quarter of 2013. In addition, due to greater application of improved drilling and completion technologies, the current rig fleet is becoming more efficient allowing more wells to be drilled per rig. If this trend continues, well completions could grow at a faster

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pace than the drilling rig count in the future. Higher drilling and completions activities should result in increased demand for our products.

Results of operations

We made two acquisitions and an investment in a joint venture in the third quarter 2013. For additional information about these acquisitions, see Note 3 to the condensed consolidated financial statements in Item 1 of Part I of this quarterly report. For this reason, our results of operations for the 2014 period presented may not be comparable to historical results of operations for the 2013 period.

Three months ended March 31, 2014 compared with three months ended March 31, 2013

	Three Months Ended March 31,				Favorable / (Unfavorable)			
	2014		2013		$		%	
(in thousands of dollars, except per share information)								
Revenue:								
Drilling & Subsea	$261,769		$221,939		$39,830		17.9	%
Production & Infrastructure	142,575		151,210		(8,635	)	(5.7	)%
Eliminations	(406	)	(150	)	(256	)	*	
Total revenue	$403,938		$372,999		$30,939		8.3	%
Operating income:								
Drilling & Subsea	$47,065		$35,156		$11,909		33.9	%
Operating income margin %	18.0	%	15.8	%				
Production & Infrastructure	23,882		21,374		2,508		11.7	%
Operating income margin %	16.8	%	14.1	%				
Corporate	(8,741	)	(7,173	)	(1,568	)	(21.9	)%
Total segment operating income	$62,206		$49,357		$12,849		26.0	%
Operating income margin %	15.4	%	13.2	%				
Transaction expenses	128		9		(119	)	*	
Loss (gain) on sale of assets and other	689		135		(554	)	*	
Income from operations	61,389		49,213		12,176		24.7	%
Interest expense, net	7,750		3,363		(4,387	)	(130.4	)%
Foreign exchange (gains) losses and other, net	1,477		(1,467	)	(2,944	)	*	
Other (income) expense, net	9,227		1,896		(7,331	)	*	
Income before income taxes	52,162		47,317		4,845		10.2	%
Income tax expense	15,656		15,379		(277	)	(1.8	)%
Net income	36,506		31,938		4,568		14.3	%
Less: Income attributable to non-controlling interest	(24	)	(2	)	(22	)	*	
Income attributable to common stockholders	$36,530		$31,940		$4,590		14.4	%
Weighted average shares outstanding								
Basic	92,129		88,533					
Diluted	95,191		94,356					
Earnings per share								
Basic	$0.40		$0.36					
Diluted	$0.38		$0.34					

* not meaningful

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Revenue

Our revenue for the three months ended March 31, 2014 increased $30.9 million, or 8.3%, to $403.9 million compared to the three months ended March 31, 2013. For the three months ended March 31, 2014, our Drilling & Subsea segment and our Production & Infrastructure segment comprised 64.8% and 35.2% of our total revenue, respectively, which compared to 59.5% and 40.5% of total revenue, respectively, for the three months ended March 31, 2013. The changes in revenue by operating segment consisted of the following:

Drilling & Subsea segment — Revenue increased $39.8 million, or 17.9%, to $261.8 million during the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily attributable to third quarter 2013 acquisitions and to higher sales of pipe handling tools and downhole products. Partially offsetting these increases are lower sales of subsea related products and services.

Production & Infrastructure segment — Revenue decreased $8.6 million, or 5.7%, to $142.6 million during the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to a decrease in shipments of valves for large projects and weather related delays affecting some production equipment shipments. Increased sales of our flow equipment products resulting from higher well completion activity and an apparent decrease in market inventory levels partially offset the decrease in the segment.

Segment operating income and segment operating margin percentage

Segment operating income for the three months ended March 31, 2014, increased $12.8 million, or 26.0%, to $62.2 million compared to the three months ended March 31, 2013. The segment operating margin percentage is calculated by dividing segment operating income by revenue for the period. For the three months ended March 31, 2014, the segment operating margin percentage of 15.4% represents an increase of 220 basis points from the 13.2% operating margin percentage for three months ended March 31, 2013. The change in operating margin percentage for each segment is explained as follows:

Drilling & Subsea segment — The operating margin percentage increased 220 basis points to 18.0% for the three months ended March 31, 2014, from 15.8% for the three months ended March 31, 2013. The improvement in operating margin percentage is primarily attributable to higher volumes in drilling products and continuing benefits from the cost saving measures implemented in the third quarter 2013.

Production & Infrastructure segment — Operating margin percentage improved 270 basis points to 16.8% for the three months ended March 31, 2014, from 14.1% for the three months ended March 31, 2013. The improvement in operating margin percentage was attributable to the inclusion of equity from the Global Tubing, LLC joint venture in earnings for the current period.

Corporate — Selling, general and administrative expenses for Corporate increased by $1.6 million, or 21.9%, for the three months ended March 31, 2014 compared to the three months ended March 31, 2013, due to higher personnel costs and higher professional fees. Corporate costs included, among other items, payroll related costs for general management and management of finance and administration, legal, human resources and information technology; professional fees for legal, accounting and related services; and marketing costs.

Other items not included in segment operating income

Several items are not included in segment operating income, but are included in total operating income. These items include: transaction expenses and gains/losses from the sale of assets. Transaction expenses relate to legal and other advisory costs incurred in acquiring businesses and are not considered to be part of segment operating income. In the first quarter 2014, we incurred a loss of $0.8 million on the sale of our subsea pipe joint protective coatings business.

Other income and expense

Other income and expense includes interest expense and foreign exchange gains and losses. We incurred $7.8 million of interest expense during the three months ended March 31, 2014, an increase of $4.4 million from the three months ended March 31, 2013. The increase in interest expense was attributable to borrowings on the Credit Facility to fund third quarter 2013 acquisitions and to the higher interest rate on our Senior Notes issued in the fourth quarter 2013 compared to the variable interest rate under our Credit Facility.

Taxes

Tax expense includes current income taxes expected to be due based on taxable income to be reported during the periods in the various jurisdictions in which we conduct business, and deferred income taxes based on changes in the tax effect of temporary differences between the bases of assets and liabilities for financial reporting and tax purposes at the beginning and end of the respective periods. The effective tax rate, calculated by dividing total tax expense by income before income taxes, was 30.0% for the three months ended March 31, 2014 and 32.5% for the three months ended March 31, 2013. The tax provision for the three months ended March 31, 2014 is lower than the comparable period in 2013 primarily due to a higher proportion of our earnings being generated outside the U.S. in jurisdictions subject to lower tax rates and benefits received from other tax incentives.

Liquidity and capital resources

Sources and uses of liquidity

At March 31, 2014, we had cash and cash equivalents of $67.0 million and total debt of $477.6 million. We believe that cash on hand, cash generated from operations and amounts available under the Credit Facility will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations for the foreseeable future.

Our total 2014 capital expenditure budget is approximately $60.0 million, which consists of, among other items, investments in constructing or expanding certain manufacturing facilities, purchases of machinery and equipment, expansion of our subsea rental fleet equipment, and general maintenance capital expenditures of approximately $25.0 million. This budget does not include possible expenditures for future business acquisitions.

Although we do not budget for acquisitions, pursuing growth through acquisitions is a significant part of our business strategy. We expanded and diversified our product portfolio with the acquisition of two businesses and an investment in a joint venture in 2013 for total consideration (net of cash acquired) of approximately $230.0 million. We used cash on hand and borrowings under the Credit Facility to finance these acquisitions. We continue to actively review acquisition opportunities on an ongoing basis. Our ability to make significant additional acquisitions for cash may require us to obtain additional equity or debt financing, which we may not be able to obtain on terms acceptable to us or at all.

Our cash flows for the three months ended March 31, 2014 and 2013 are presented below (in millions):

	Three Months Ended March 31,	
	2014	2013
Net cash provided by operating activities	$62.9	$28.5
Net cash used in investing activities	(4.4)	(11.4)
Net cash used in financing activities	(30.9)	(28.9)
Net increase (decrease) in cash and cash equivalents	$27.4	$(14.1)

Cash flows provided by operating activities

Net cash provided by operating activities was $62.9 million and $28.5 million for the three months ended March 31, 2014 and 2013, respectively. Cash provided by operations increased primarily as a result of higher earnings and lower incremental investments in working capital as compared to the prior year.

Cash flows used in investing activities

Net cash used in investing activities was $4.4 million and $11.4 million for the three months ended March 31, 2014 and 2013, respectively, a $7.0 million decrease. The decrease was attributable to the proceeds from a sale of a business, property and equipment of $6.7 million in the 2014 period compared to cash used for an acquisition of $1.5 million during 2013.

Cash flows used in financing activities

Net cash used in financing activities was $30.9 million and $28.9 million for the three months ended March 31, 2014 and 2013, respectively. The increase in cash used in financing activities was primarily due to a larger net pay down of long-term debt during the three months ended March 31, 2014 compared to the prior year.

Senior Notes Due 2021

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

Credit Facility

We have a Credit Facility with Wells Fargo Bank, National Association, as administrative agent, and several financial institutions as lenders, which provides for a $600.0 million revolving credit line, with up to $75.0 million available for letters of credit and up to $25.0 million in swingline loans. Subject to terms of the Credit Facility, we have the ability to increase the revolving Credit Facility by an additional $300.0 million. Our revolving Credit Facility had an outstanding balance of $73.0 million at March 31, 2014 and matures in November 2018. Weighted average interest rates under the Credit Facility at March 31, 2014 and December 31, 2013 were 2.16% and 2.17%, respectively.

Future borrowings under the Credit Facility will be available for working capital and other general corporate purposes, including permitted acquisitions. It is anticipated that the Credit Facility will be available to be drawn on and repaid during the term thereof as long as we are in compliance with the terms of the credit agreement, including certain financial covenants. Availability under the Credit Facility, giving effect to the financial covenants provided therein, was approximately $513.9 million as of March 31, 2014.

There have been no changes to the Credit Facility financial covenants disclosed in Item 7 of our 2013 Annual Report on Form 10-K and we were in compliance with all financial covenants at March 31, 2014 and December 31, 2013.

Off-balance sheet arrangements

As of March 31, 2014, we had no off-balance sheet instruments or financial arrangements, other than operating leases entered into in the ordinary course of business.

Contractual obligations

Except for net repayments under the Credit Facility, as of March 31, 2014, there have been no material changes in our contractual obligations and commitments disclosed in the Annual Report.

Critical accounting policies and estimates

There have been no material changes in our critical accounting policies and procedures during the three months ended March 31, 2014. For a detailed discussion of our critical accounting policies and estimates, refer to our 2013 Annual Report on Form 10-K.

Recent accounting pronouncements

In April 2014, the FASB issued Accounting Standards Update ("ASU") 2014-08 — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is effective for the Company for the fiscal year beginning January 1, 2015, and is not expected to have a material impact on the consolidated financial statements.

Item 3. Quantitative and qualitative disclosures about market risk
We are currently exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk, but we do not enter into derivative transactions for speculative purposes.
There have been no significant changes to our market risk since December 31, 2013. For a discussion of our exposure to market risk, refer to Part II, Item 7(a), “Quantitative and Qualitative Disclosures About Market Risk,” in our 2013 Annual Report on Form 10-K.
Item 4. Controls and Procedures
Evaluation of Disclosure Controls and Procedures
We maintain disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of March 31, 2014. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.
Changes in Internal Control over Financial Reporting
There were no changes in our internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
PART II — OTHER INFORMATION
Item 1. Legal Proceedings
Refer to Note 11, Commitments and Contingencies, in Part I, Item 1, Financial Statements, for a discussion of our legal proceedings, which is incorporated into this Item 1 of Part II by reference.
Item 1A. Risk Factors
For additional information about our risk factors, see "Risk Factors" in Item 1A of our Annual Report.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Shares of common stock purchased and placed in treasury during the three months ended March 31, 2014 were as follows:

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plan or programs	Maximum number of shares that may yet be purchased under the plan or program (b)
January 1, 2014 - January 31, 2014	6,852	$28.26	—	—
February 1, 201- February 28, 2014	—	$—	—	—
March 1, 2011 - March 31, 2014	841	$30.98	—	—
Total	7,693	$28.56	—	

(a) All of the 7,693 shares purchased during the three months ended March 31, 2014 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from the vesting of restricted stock grants. None of these shares were part of a publicly announced program to purchase common shares.
(b) Forum does not have any publicly announced equity securities repurchase plans or programs.

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Item 6. Exhibits

Exhibit Number		DESCRIPTION
10.1*	—	Employment Agreement effective as of January 13, 2014 by and between Forum Energy Technologies, Inc. and Prady Iyyanki (incorporated herein by reference to Exhibit 10.1 on the Company's Current Report on Form 8-K, filed on January 8, 2014).
10.2**	—	Form of Restricted Stock Unit Agreement (Directors).
10.3**	—	Form of Restricted Stock Agreement (Directors).
10.4**	—	Form of Restricted Stock Unit Agreement (Employees and Consultants).
10.5**	—	Form of Nonstatutory Stock Option Agreement (Employees and Consultants).
10.6**	—	Form of Performance Share Award Agreement (Employees and Consultants).
31.1**	—	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	—	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	—	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	—	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***†	—	XBRL Instance Document.
101.SCH***†	—	XBRL Taxonomy Extension Schema Document.
101.CAL***†	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB***†	—	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***†	—	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF***†	—	XBRL Taxonomy Extension Definition Linkbase Document.

* Previously filed.

** Filed herewith.

*** Furnished herewith.

†Pursuant to Rule 406T of Regulation S-T, the Interactive data Files in the Exhibit 101 hereto are not deemed filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

FORUM ENERGY TECHNOLOGIES, INC.

Date: April 29, 2014

By: /s/ James W. Harris
James W. Harris
Senior Vice President and Chief Financial Officer
(As Duly Authorized Officer and Principal Financial Officer)

By: /s/ Tylar K. Schmitt
Tylar K. Schmitt
Vice President and Corporate Controller
(As Duly Authorized Officer and Principal Accounting Officer)

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