UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 001-02960

Newpark Resources, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**72-1123385**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9320 Lakeside Boulevard, Suite 100	
The Woodlands, Texas	**77381**
(Address of principal executive offices)	(Zip Code)

(281) 362-6800
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	NR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of November 1, 2021, a total of 92,257,408 shares of common stock, $0.01 par value per share, were outstanding.

NEWPARK RESOURCES, INC.

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FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021

CAUTIONARY STATEMENT CONCERNING 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, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking statements in other materials we release to the public. Words such as “will,” “may,” “could,” “would,” “should,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management as of the filing date of this Quarterly Report on Form 10-Q; however, various risks, uncertainties, contingencies, and other factors, some of which are beyond our control, are difficult to predict and could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, these statements.

We assume no obligation to update, amend, or clarify publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by securities laws. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q might not occur.

For further information regarding these and other factors, risks, and uncertainties that could cause actual results to differ, we refer you to the risk factors set forth in Item 1A “Risk Factors” in this Quarterly Report on Form 10-Q, our Quarterly Report on Form 10-Q for the period ended June 30, 2021, and our Annual Report on Form 10-K for the year ended December 31, 2020.

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except share data)	September 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 31,242	$ 24,197
Receivables, net	163,309	141,045
Inventories	148,194	147,857
Prepaid expenses and other current assets	17,124	15,081
Total current assets	359,869	328,180
Property, plant and equipment, net	262,856	277,696
Operating lease assets	27,352	30,969
Goodwill	42,393	42,444
Other intangible assets, net	22,511	25,428
Deferred tax assets	3,864	1,706
Other assets	2,267	2,769
Total assets	$ 721,112	$ 709,192
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current debt	$ 21,875	$ 67,472
Accounts payable	73,567	49,252
Accrued liabilities	40,736	36,934
Total current liabilities	136,178	153,658
Long-term debt, less current portion	71,869	19,690
Noncurrent operating lease liabilities	22,505	25,068
Deferred tax liabilities	15,102	13,368
Other noncurrent liabilities	9,745	9,376
Total liabilities	255,399	221,160
Commitments and contingencies (Note 9)		
Common stock, $0.01 par value (200,000,000 shares authorized and 109,233,315 and 107,587,786 shares issued, respectively)	1,092	1,076
Paid-in capital	632,569	627,031
Accumulated other comprehensive loss	(59,486)	(54,172)
Retained earnings	28,026	50,937
Treasury stock, at cost (16,976,680 and 16,781,150 shares, respectively)	(136,488)	(136,840)
Total stockholders' equity	465,713	488,032
Total liabilities and stockholders' equity	$ 721,112	$ 709,192

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues	$ 151,797	$ 96,424	$ 435,218	$ 362,920
Cost of revenues	132,273	99,301	376,370	357,675
Selling, general and administrative expenses	23,864	20,597	67,755	66,230
Other operating (income) loss, net	1,723	(820)	(141)	(1,906)
Impairments	—	3,038	—	3,038
Operating loss	(6,063)	(25,692)	(8,766)	(62,117)
Foreign currency exchange (gain) loss	25	580	(83)	3,343
Interest expense, net	2,176	2,411	6,748	8,524
(Gain) loss on extinguishment of debt	210	—	1,000	(419)
Loss before income taxes	(8,474)	(28,683)	(16,431)	(73,565)
Provision (benefit) for income taxes	2,011	(4,813)	5,414	(11,303)
Net loss	$ (10,485)	$ (23,870)	$ (21,845)	$ (62,262)
Net loss per common share - basic:	$ (0.11)	$ (0.26)	$ (0.24)	$ (0.69)
Net loss per common share - diluted:	$ (0.11)	$ (0.26)	$ (0.24)	$ (0.69)

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Net loss	$ (10,485)	$ (23,870)	$ (21,845)	$ (62,262)
Foreign currency translation adjustments (net of tax benefit (expense) of $222, $(330), $408, $268)	(2,700)	3,461	(5,314)	(1,900)
Comprehensive loss	$ (13,185)	$ (20,409)	$ (27,159)	$ (64,162)

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(In thousands)	Common Stock	Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance at June 30, 2021	$ 1,090	$ 629,833	$ (56,786)	$ 38,510	$ (136,403)	$ 476,244
Net loss	—	—	—	(10,485)	—	(10,485)
Employee stock options, restricted stock and employee stock purchase plan	2	288	—	1	(85)	206
Stock-based compensation expense	—	2,448	—	—	—	2,448
Foreign currency translation, net of tax	—	—	(2,700)	—	—	(2,700)
Balance at September 30, 2021	$ 1,092	$ 632,569	$ (59,486)	$ 28,026	$ (136,488)	$ 465,713
Balance at June 30, 2020	$ 1,074	$ 623,269	$ (73,308)	$ 93,292	$ (136,890)	$ 507,437
Net loss	—	—	—	(23,870)	—	(23,870)
Employee stock options, restricted stock and employee stock purchase plan	2	267	—	—	(6)	263
Stock-based compensation expense	—	1,792	—	—	—	1,792
Foreign currency translation, net of tax	—	—	3,461	—	—	3,461
Balance at September 30, 2020	$ 1,076	$ 625,328	$ (69,847)	$ 69,422	$ (136,896)	$ 489,083
Balance at December 31, 2020	$ 1,076	$ 627,031	$ (54,172)	$ 50,937	$ (136,840)	$ 488,032
Net loss	—	—	—	(21,845)	—	(21,845)
Employee stock options, restricted stock and employee stock purchase plan	16	(183)	—	(1,066)	352	(881)
Stock-based compensation expense	—	5,721	—	—	—	5,721
Foreign currency translation, net of tax	—	—	(5,314)	—	—	(5,314)
Balance at September 30, 2021	$ 1,092	$ 632,569	$ (59,486)	$ 28,026	$ (136,488)	$ 465,713
Balance at December 31, 2019	$ 1,067	$ 620,626	$ (67,947)	$ 134,119	$ (139,220)	$ 548,645
Cumulative effect of accounting change	—	—	—	(735)	—	(735)
Net loss	—	—	—	(62,262)	—	(62,262)
Employee stock options, restricted stock and employee stock purchase plan	9	(167)	—	(1,700)	2,324	466
Stock-based compensation expense	—	4,869	—	—	—	4,869
Foreign currency translation, net of tax	—	—	(1,900)	—	—	(1,900)
Balance at September 30, 2020	$ 1,076	$ 625,328	$ (69,847)	$ 69,422	$ (136,896)	$ 489,083

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(In thousands)	**2021**	**2020**
Cash flows from operating activities:		
Net loss	$ (21,845)	$ (62,262)
Adjustments to reconcile net loss to net cash provided by operations:		
Impairments and other non-cash charges	—	13,024
Depreciation and amortization	32,009	34,186
Stock-based compensation expense	5,721	4,869
Provision for deferred income taxes	282	(19,023)
Credit loss expense	426	1,304
Gain on sale of assets	(6,863)	(2,916)
Gain on insurance recovery	(849)	—
(Gain) loss on extinguishment of debt	1,000	(419)
Amortization of original issue discount and debt issuance costs	3,062	3,962
Change in assets and liabilities:		
(Increase) decrease in receivables	(26,382)	77,004
(Increase) decrease in inventories	(2,536)	26,566
Increase in other assets	(2,535)	(2,912)
Increase (decrease) in accounts payable	25,292	(34,606)
Increase in accrued liabilities and other	6,888	1,516
Net cash provided by operating activities	13,670	40,293
Cash flows from investing activities:		
Capital expenditures	(19,103)	(14,609)
Proceeds from sale of property, plant and equipment	11,730	10,497
Proceeds from insurance property claim	85	—
Net cash used in investing activities	(7,288)	(4,112)
Cash flows from financing activities:		
Borrowings on lines of credit	166,012	147,987
Payments on lines of credit	(150,132)	(180,440)
Purchases of Convertible Notes	(28,137)	(29,124)
Proceeds from term loan	8,258	—
Proceeds from financing obligation	8,004	—
Debt issuance costs	(295)	—
Purchases of treasury stock	(1,435)	(332)
Other financing activities	(458)	1,029
Net cash provided by (used in) financing activities	1,817	(60,880)
Effect of exchange rate changes on cash	(1,349)	(1,810)
Net increase (decrease) in cash, cash equivalents, and restricted cash	6,850	(26,509)
Cash, cash equivalents, and restricted cash at beginning of period	30,348	56,863
Cash, cash equivalents, and restricted cash at end of period	$ 37,198	$ 30,354

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 – Basis of Presentation and Significant Accounting Policies

Newpark Resources, Inc. is a geographically diversified supplier providing products, as well as rentals and services to customers across multiple industries. The accompanying unaudited condensed consolidated financial statements of Newpark Resources, Inc. and our wholly-owned subsidiaries, which we collectively refer to as “we,” “our,” or “us,” have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission (“SEC”), and do not include all information and footnotes required by the accounting principles generally accepted in the United States (“U.S. GAAP”) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020. Our fiscal year end is December 31, our third quarter represents the three-month period ended September 30, and our first nine months represents the nine-month period ended September 30. The results of operations for the third quarter and first nine months of 2021 are not necessarily indicative of the results to be expected for the entire year. Unless otherwise noted, all currency amounts are stated in U.S. dollars.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 30, 2021, our results of operations for the third quarter and first nine months of 2021 and 2020, and our cash flows for the first nine months of 2021 and 2020. All adjustments are of a normal recurring nature. Our balance sheet at December 31, 2020 is derived from the audited consolidated financial statements at that date.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For further information, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2020.

We operate our business through two reportable segments: Fluids Systems and Industrial Solutions. Our Fluids Systems segment primarily provides customized drilling, completion, and stimulation fluids solutions to oil and natural gas exploration and production (“E&P”) customers primarily in North America and Europe, the Middle East and Africa (“EMEA”), as well as certain countries in Asia Pacific and Latin America. Our Industrial Solutions segment includes our Site and Access Solutions business (historically reported as the Mats and Integrated Services segment), along with our Industrial Blending operations. Site and Access Solutions provides composite matting system rentals utilized for temporary worksite access, along with related site construction and services to customers in various markets including power transmission, E&P, pipeline, renewable energy, petrochemical, construction and other industries, primarily in the United States and Europe. We also sell our manufactured composite mats to customers around the world, with power transmission being the primary end-market. Our Industrial Blending operations began in 2020, leveraging our chemical blending capacity and technical expertise to enter targeted industrial end-markets.

New Accounting Pronouncements

Standards Adopted in 2021

Income Taxes: Simplifying the Accounting for Income Taxes. In December 2019, the Financial Accounting Standards Board (“FASB”) issued new guidance intended to simplify various aspects related to accounting for income taxes. We adopted this new guidance as of January 1, 2021. The adoption of this new guidance had no material impact on our financial statements or related disclosures.

Standards Not Yet Adopted

Debt: Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. In August 2020, the FASB issued new guidance which is intended to simplify the accounting for convertible instruments. This guidance will be effective for us in the first quarter of 2022. As our existing convertible instrument matures in December 2021, we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements or related disclosures.

Note 2 – Earnings Per Share

The following table presents the reconciliation of the numerator and denominator for calculating net loss per share:

	Third Quarter		First Nine Months	
(In thousands, except per share data)	**2021**	**2020**	**2021**	**2020**
Numerator				
Net loss - basic and diluted	$ (10,485)	$ (23,870)	$ (21,845)	$ (62,262)
Denominator				
Weighted average common shares outstanding - basic	91,932	90,535	91,264	90,056
Dilutive effect of stock options and restricted stock awards	—	—	—	—
Dilutive effect of Convertible Notes	—	—	—	—
Weighted average common shares outstanding - diluted	91,932	90,535	91,264	90,056
Net loss per common share				
Basic	$ (0.11)	$ (0.26)	$ (0.24)	$ (0.69)
Diluted	$ (0.11)	$ (0.26)	$ (0.24)	$ (0.69)

We excluded the following weighted-average potential shares from the calculations of diluted net loss per share during the applicable periods because their inclusion would have been anti-dilutive:

	Third Quarter		First Nine Months	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Stock options and restricted stock awards	5,954	5,608	5,708	5,172

For the third quarter and first nine months of 2021 and 2020, we excluded all potentially dilutive stock options and restricted stock awards in calculating diluted earnings per share as the effect was anti-dilutive due to the net loss incurred for these periods. The Convertible Notes (as defined in Note 7) only impact the calculation of diluted net income per share in periods that the average price of our common stock, as calculated in accordance with the terms of the indenture governing the Convertible Notes, exceeds the conversion price of $9.33 per share. If converted, we will settle the principal amount of the notes in cash and as a result, only the amounts payable in excess of the principal amount of the notes, if any, would be assumed to be settled with shares of common stock for purposes of computing diluted net income per share.

Note 3 – Repurchase Program

Our repurchase program remains available for repurchases of any combination of our common stock and Convertible Notes. The repurchase program has no specific term. Repurchases are expected to be funded from operating cash flows, available cash on hand, and borrowings under our ABL Facility (as defined in Note 7). As part of the share repurchase program, our management has been authorized to establish trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934. As of September 30, 2021, we had $23.8 million remaining under the program.

During the first nine months of 2021, we repurchased $28.3 million of our Convertible Notes in the open market under the repurchase program for a total cost of $28.1 million. During the first nine months of 2020, we repurchased $33.1 million of our Convertible Notes in the open market under the repurchase program for a total cost of $29.1 million.

There were no shares of common stock repurchased under the repurchase program during the first nine months of 2021 or 2020.

Note 4 – Stock-Based and Other Long-Term Incentive Compensation

During the second quarter of 2021, our stockholders approved an amendment to the 2015 Employee Equity Incentive Plan ("2015 Plan") to increase the number of shares authorized for issuance under the 2015 Plan from 12,300,000 to 14,300,000 shares, and also approved an amendment to the 2014 Non-Employee Directors' Restricted Stock Plan ("2014 Director Plan") to increase the number of shares authorized for issuance under the 2014 Director Plan from 1,000,000 to 1,200,000 shares.

During the second quarter of 2021, the Compensation Committee of our Board of Directors ("Compensation Committee") approved equity-based compensation to executive officers and other key employees consisting of 2,659,177 restricted stock units, which will vest in equal installments over a three-year period. In addition, non-employee directors received a grant of 210,367 restricted stock awards, which will vest in full on the earlier of the day prior to the next annual meeting of stockholders following the grant date or the first anniversary of the grant date. The weighted average grant-date fair value was $3.28 per share for both the restricted stock units and restricted stock awards. During the third quarter of 2021, the Compensation Committee approved additional equity-based compensation to certain executive officers and other key employees consisting of 200,000 restricted stock units, which will vest in equal installments over a three-year period. The weighted average grant-date fair value was $2.09 per share for these restricted stock units. At September 30, 2021, 1,623,607 shares remained available for award under the 2015 Plan and 146,527 shares remained available for award under the 2014 Director Plan.

Also during the second quarter of 2021, the Compensation Committee approved the issuance of performance-based cash awards to certain executive officers with a target value of $3.0 million. The performance-based cash awards will be settled based on the relative ranking of our total shareholder return ("TSR") as compared to the TSR of our designated peer group over a three-year performance period. The performance period began May 2, 2021 and ends May 31, 2024, with the ending TSR price being equal to the average closing price of our shares over the 30-calendar days ending May 31, 2024 and the cash payout for each executive ranging from 0% to 200% of target. The performance-based cash awards are accrued as a liability award over the performance period based on the estimated fair value. The fair value of the performance-based cash awards is remeasured each period using a Monte-Carlo valuation model with changes in fair value recognized in the consolidated statements of operations. During the third quarter of 2021, the Compensation Committee approved the issuance of $1.4 million of time-based cash awards to certain executive officers and other key employees, which will vest in full on September 1, 2023.

Note 5 – Receivables

Receivables consisted of the following:

(In thousands)	September 30, 2021	December 31, 2020
Trade receivables:		
Gross trade receivables	$ 155,464	$ 133,717
Allowance for credit losses	(4,859)	(5,024)
Net trade receivables	150,605	128,693
Income tax receivables	5,806	6,545
Other receivables	6,898	5,807
Total receivables, net	$ 163,309	$ 141,045

Other receivables included $5.1 million and $4.4 million for value added, goods and service taxes related to foreign jurisdictions as of September 30, 2021 and December 31, 2020, respectively.

We adopted the new accounting guidance for credit losses as of January 1, 2020.

Changes in our allowance for credit losses were as follows:

	First Nine Months	
(In thousands)	2021	2020
Balance at beginning of period	$ 5,024	$ 6,007
Cumulative effect of accounting change	—	959
Credit loss expense	426	1,304
Write-offs, net of recoveries	(591)	(2,517)
Balance at end of period	$ 4,859	$ 5,753

Note 6 – Inventories

Inventories consisted of the following:

(In thousands)	September 30, 2021	December 31, 2020
Raw materials:		
Fluids Systems	$ 110,522	$ 98,974
Industrial Solutions	4,864	6,315
Total raw materials	115,386	105,289
Blended fluids systems components	26,906	31,744
Finished goods - mats	5,902	10,824
Total inventories	$ 148,194	$ 147,857

Raw materials for the Fluids Systems segment consists primarily of barite, chemicals, and other additives that are consumed in the production of our fluids systems. Raw materials for the Industrial Solutions segment consists primarily of resins, chemicals, and other materials used to manufacture composite mats and cleaning products, as well as materials that are consumed in providing spill containment and other services to our customers. Our blended fluids systems components consist of base fluids systems that have been either mixed internally at our blending facilities or purchased from third-party vendors. These base fluids systems require raw materials to be added, as needed to meet specified customer requirements.

Note 7 – Financing Arrangements and Fair Value of Financial Instruments

Financing arrangements consisted of the following:

	September 30, 2021			December 31, 2020		
(In thousands)	Principal Amount	Unamortized Discount and Debt Issuance Costs	Total Debt	Principal Amount	Unamortized Discount and Debt Issuance Costs	Total Debt
Convertible Notes	$ 38,567	$ (464)	$ 38,103	$ 66,912	$ (4,221)	$ 62,691
ABL Facility	24,100	—	24,100	19,100	—	19,100
Term loan	6,569	(130)	6,439	—	—	—
Financing obligation	7,953	(91)	7,862	—	—	—
Other debt	17,240	—	17,240	5,371	—	5,371
Total debt	94,429	(685)	93,744	91,383	(4,221)	87,162
Less: Current portion	(21,875)	—	(21,875)	(71,693)	4,221	(67,472)
Long-term debt	$ 72,554	$ (685)	$ 71,869	$ 19,690	$ —	$ 19,690

Convertible Notes. In December 2016, we issued $100.0 million of unsecured convertible senior notes ("Convertible Notes") that mature on December 1, 2021, of which $38.6 million principal amount was outstanding at September 30, 2021. The notes bear interest at a rate of 4.0% per year, payable semiannually in arrears on June 1 and December 1 of each year.

Until the close of business on the business day immediately preceding the maturity date, holders may convert their notes at any time. If any notes are converted, we will settle the converted notes at the maturity date with a combination of cash and shares of common stock in accordance with the terms of the indenture governing the Convertible Notes. The conversion rate is 107.1381 shares of our common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of $9.33 per share of common stock), subject to adjustment in certain circumstances. We may not redeem the notes prior to their maturity date. As of November 1, 2021, no holders have converted their notes. The Convertible Notes are classified as long-term debt in the September 30, 2021 balance sheet as we intend to settle the notes at maturity utilizing borrowings under our ABL Facility.

In accordance with accounting guidance for convertible debt with a cash conversion option, we separately accounted for the debt and equity components of the notes in a manner that reflected our estimated nonconvertible debt borrowing rate. As of September 30, 2021, the carrying amount of the debt component was $38.1 million, which is net of the unamortized debt discount and debt issuance costs of $0.5 million. Including the impact of the unamortized debt discount and debt issuance costs, the effective interest rate on the notes is approximately 11.3%.

During the first nine months of 2021, we repurchased $28.3 million of our Convertible Notes in the open market for a total cost of $28.1 million, and recognized a net loss of $1.0 million reflecting the difference in the amount paid and the net carrying value of the extinguished debt, including original issue discount and debt issuance costs.

Asset-Based Loan Facility. In May 2016, we entered into an asset-based revolving credit agreement, which was amended in October 2017 and March 2019 (as amended, the "ABL Facility"). The ABL Facility provides financing of up to $200.0 million available for borrowings (inclusive of letters of credit) and can be increased up to a maximum capacity of $275.0 million, subject to certain conditions. The ABL Facility terminates in March 2024. As of September 30, 2021, our total availability under the ABL Facility was $106.2 million, of which $24.1 million was drawn, $39.3 million was reserved for settlement of the Convertible Notes, and $1.1 million was used for outstanding letters of credit, resulting in remaining availability of $41.7 million.

Borrowing availability under the ABL Facility is calculated based on eligible U.S. accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet, net of reserves and limits on such assets included in the borrowing base calculation. To the extent pledged by us, the borrowing base calculation also includes the amount of eligible pledged cash. The lender may establish such reserves, in part based on appraisals of the asset base, and other limits at its discretion which could reduce the amounts otherwise available under the ABL Facility. Availability associated with eligible rental mats will also be subject to maintaining a minimum consolidated fixed charge coverage ratio of 1.5 to 1.0 and at least $1.0 million of operating income for the Site and Access Solutions business, each calculated based on a trailing twelve-month period.

Under the terms of the ABL Facility, we may elect to borrow at a variable interest rate based on either, (1) LIBOR subject to a floor of zero or (2) a base rate equal to the highest of: (a) the federal funds rate plus 50 basis points, (b) the prime rate of Bank of America, N.A. and (c) LIBOR, subject to a floor of zero, plus 100 basis points, plus, in each case, an applicable margin per annum. The applicable margin ranges from 150 to 200 basis points for LIBOR borrowings, and 50 to 100 basis points for base rate borrowings, based on the consolidated fixed charge coverage ratio as defined in the ABL Facility. As of September 30, 2021, the applicable margin for borrowings under our ABL Facility was 150 basis points with respect to LIBOR borrowings and 50 basis points with respect to base rate borrowings. The weighted average interest rate for the ABL Facility was 1.65% at September 30, 2021. In addition, we are required to pay a commitment fee on the unused portion of the ABL Facility ranging from 25 to 37.5 basis points, based on the level of outstanding borrowings, as defined in the ABL Facility. As of September 30, 2021, the applicable commitment fee was 37.5 basis points.

The ABL Facility is a senior secured obligation, secured by first liens on substantially all of our U.S. tangible and intangible assets, and a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral. The ABL Facility contains customary operating covenants and certain restrictions including, among other things, the incurrence of additional debt, liens, dividends, asset sales, investments, mergers, acquisitions, affiliate transactions, stock repurchases and other restricted payments. The ABL Facility also requires a minimum consolidated fixed charge coverage ratio of 1.0 to 1.0 calculated based on a trailing twelve-month period if availability under the ABL Facility falls below $22.5 million. In addition, the ABL Facility contains customary events of default, including, without limitation, a failure to make payments under the facility, acceleration of more than $25.0 million of other indebtedness, certain bankruptcy events, and certain change of control events.

Other Debt. In August 2021, we completed sale-leaseback transactions related to certain vehicles and other equipment for net proceeds of approximately $7.9 million. The transactions have been accounted for as financing arrangements as they did not qualify for sale accounting. As a result, the vehicles and other equipment continue to be reflected on our balance sheet in property, plant and equipment, net. The financing arrangements have a weighted average annual interest rate of 5.4% and are payable in monthly installments with varying maturities through October 2025. We had an $8.0 million financing obligation outstanding under these arrangements at September 30, 2021.

In February 2021, a U.K. subsidiary entered a £6.0 million (approximately $8.3 million) term loan facility that matures in February 2024, the proceeds of which were used to pay down the ABL Facility. The term loan bears interest at a rate of LIBOR plus a margin of 3.4% per year, payable in quarterly installments of £375,000 plus interest beginning March 2021 and a £1.5 million payment due at maturity. We had $6.6 million outstanding under this arrangement at September 30, 2021.

Certain of our foreign subsidiaries maintain local credit arrangements consisting primarily of lines of credit or overdraft facilities which are generally renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs. We had $12.6 million and $3.5 million outstanding under these arrangements at September 30, 2021 and December 31, 2020, respectively.

In addition, at September 30, 2021, we had $43.1 million in outstanding letters of credit, performance bonds, and other guarantees for which certain of the letters of credit are collateralized by $6.0 million in restricted cash.

Our financial instruments include cash and cash equivalents, receivables, payables, and debt. We believe the carrying values of these instruments, with the exception of our Convertible Notes, approximated their fair values at September 30, 2021 and December 31, 2020. The estimated fair value of our Convertible Notes was $38.6 million at September 30, 2021 and $61.1 million at December 31, 2020, based on quoted market prices at these respective dates.

Note 8 – Income Taxes

The provision for income taxes was $5.4 million for the first nine months of 2021, despite reporting a pretax loss for the period, primarily reflecting the impact of the geographic composition of our pretax loss. The tax expense primarily relates to earnings from our international operations since we are currently unable to recognize the tax benefit from our U.S. losses as they may not be realized. The benefit for income taxes was $11.3 million for the first nine months of 2020, where the tax benefit from losses in the U.S was partially offset by the tax expense related to earnings from our international operations.

Note 9 – Commitments and Contingencies

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state, and local levels. While the outcome of litigation or other proceedings against us cannot be predicted with certainty, management does not expect that any loss resulting from such litigation or other proceedings, in excess of any amounts accrued or covered by insurance, will have a material adverse impact on our consolidated financial statements.

Note 10 – Supplemental Disclosures to the Statements of Cash Flows

Supplemental disclosures to the statements of cash flows are presented below:

	First Nine Months	
(In thousands)	2021	2020
Cash paid for:		
Income taxes (net of refunds)	$ 5,765	$ 4,733
Interest	$ 3,414	$ 4,160

Cash, cash equivalents, and restricted cash in the consolidated statements of cash flows consisted of the following:

(In thousands)	September 30, 2021	December 31, 2020
Cash and cash equivalents	$ 31,242	$ 24,197
Restricted cash (included in prepaid expenses and other current assets)	5,956	6,151
Cash, cash equivalents, and restricted cash	$ 37,198	$ 30,348

Note 11 – Segment Data

Summarized operating results for our reportable segments are shown in the following table (net of inter-segment transfers):

	Third Quarter		First Nine Months	
(In thousands)	2021	2020	2021	2020
Revenues				
Fluids Systems	$ 107,955	$ 67,711	$ 292,897	$ 275,178
Industrial Solutions	43,842	28,713	142,321	87,742
Total revenues	$ 151,797	$ 96,424	$ 435,218	$ 362,920
Operating income (loss)				
Fluids Systems	$ (6,646)	$ (18,957)	$ (19,944)	$ (46,284)
Industrial Solutions	8,103	(139)	31,376	3,928
Corporate office	(7,520)	(6,596)	(20,198)	(19,761)
Total operating loss	$ (6,063)	$ (25,692)	$ (8,766)	$ (62,117)

The following table presents further disaggregated revenues for the Fluids Systems segment:

	Third Quarter		First Nine Months	
(In thousands)	2021	2020	2021	2020
United States	$ 56,783	$ 40,314	$ 161,237	$ 156,644
Canada	13,781	1,961	31,400	18,287
Total North America	70,564	42,275	192,637	174,931
EMEA	32,380	23,207	90,801	91,380
Other	5,011	2,229	9,459	8,867
Total International	37,391	25,436	100,260	100,247
Total Fluids Systems revenues	$ 107,955	$ 67,711	$ 292,897	$ 275,178

The following table presents further disaggregated revenues for the Industrial Solutions segment:

	Third Quarter		First Nine Months	
(In thousands)	2021	2020	2021	2020
Product sales revenues	$ 14,240	$ 5,917	$ 44,459	$ 15,243
Rental revenues	15,343	9,327	51,655	31,999
Service revenues	12,393	13,469	37,919	40,500
Industrial blending revenues [(1)]	1,866	—	8,288	—
Total Industrial Solutions revenues	$ 43,842	$ 28,713	$ 142,321	$ 87,742

(1) Industrial blending operations began in the second quarter of 2020. Results for the industrial blending component are presented in Industrial Solutions beginning in the fourth quarter of 2020. Results prior to the fourth quarter of 2020 were reported in Fluids Systems and not adjusted as they were not material.

In March 2020, oil prices collapsed due to geopolitical events along with the worldwide effects of the COVID-19 pandemic, which led to a rapid decline in customer activity in the E&P industry. In response to these market changes, we initiated workforce reductions and other cost reduction programs late in the first quarter of 2020 and continued these actions throughout 2020.

As part of the cost reduction programs, we reduced our global employee base by approximately 620 (28%) in the first nine months of 2020. As a result of these workforce reductions, our operating results for the third quarter of 2020 included $0.4 million of total severance costs ($0.2 million in Fluids Systems and $0.2 million in the corporate office), with $0.1 million in cost of revenues and $0.3 million in selling, general and administrative expenses. Our operating results for the first nine months of 2020 included $3.9 million of total severance costs ($3.3 million in Fluids Systems and $0.6 million in the corporate office), with $2.6 million in cost of revenues and $1.3 million in selling, general and administrative expenses. These costs were substantially paid as of September 30, 2020.

We recognized $4.7 million of total charges for the impairment of certain fixed assets and other non-cash charges in the third quarter of 2020, with $4.5 million in the Fluids Systems segment and $0.2 million in the corporate office. We recognized $18.0 million of total charges for inventory write-downs, severance costs, fixed asset impairments, and facility exit costs in the first nine months of 2020, with $17.4 million in the Fluids Systems segment and $0.6 million in the corporate office.

In August 2021, Hurricane Ida negatively impacted our Gulf of Mexico operations, including damage to certain inventory, equipment and warehouse facilities, at our Fourchon, Louisiana Fluids Systems operating base. While this event is covered by our property and business interruption insurance programs, these programs contain self-insured retentions, which remain our financial obligations. During the third quarter of 2021, our Fluids Systems segment incurred hurricane-related costs of $2.6 million, substantially all of which is our self-insured retention under our property insurance policy representing preliminary estimates for property damage and initial costs incurred for property-related repairs, cleanup and other costs. This $2.6 million charge is recognized in other operating (income) loss, net, for the third quarter of 2021. Additional costs for property-related repairs, cleanup and other costs that may be incurred beyond the initial estimates are expected to be substantially recoverable under our property insurance policy. As of September 30, 2021, the claims related to the hurricane under our property and business interruption insurance programs have not been finalized.

Fluids Systems operating results for the third quarter and first nine months of 2021 also includes $1.7 million of charges related to facility exit and other costs included in cost of revenues, as well as a $0.8 million gain included in other operating (income) loss, net, related to the final insurance settlement associated with the July 2018 fire at our Kenedy, Texas drilling fluids facility. Industrial Solutions operating results for the first nine months of 2021 includes a $1.0 million gain in other operating (income) loss, net, related to a legal settlement.

See below for details of charges in the Fluids Systems segment.

	Third Quarter		First Nine Months	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Fourchon, Louisiana hurricane-related costs	$ 2,596	$ —	$ 2,596	$ —
Facility exit and other costs	1,691	286	1,691	1,086
Severance costs	564	189	1,177	3,288
Kenedy, Texas facility fire insurance settlement	(849)	—	(849)	—
Inventory write-downs	—	990	—	9,986
Property, plant and equipment impairments	—	3,038	—	3,038
Total Fluids Systems impairments and other charges	$ 4,002	$ 4,503	$ 4,615	$ 17,398

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition, results of operations, liquidity, and capital resources should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this report as well as our Annual Report on Form 10-K for the year ended December 31, 2020. Our third quarter represents the three-month period ended September 30 and our first nine months represents the nine-month period ended September 30. Unless otherwise noted, all currency amounts are stated in U.S. dollars. The reference to a "Note" herein refers to the accompanying Notes to Unaudited Condensed Consolidated Financial Statements contained in Item 1 "Financial Statements."

Overview

We are a geographically diversified supplier providing products, as well as rentals and services to customers across multiple industries. We operate our business through two reportable segments: Fluids Systems, which primarily serves oil and natural gas exploration and production ("E&P") customers, and Industrial Solutions, which serves various markets including power transmission, E&P, pipeline, renewable energy, petrochemical, construction and other industries.

Our long-term strategy includes key foundational elements that are intended to enhance long-term shareholder value creation:

- *End-market diversification* – To help reduce our dependency on customers in the volatile E&P industry, improve the stability in cash flow generation and returns on invested capital, and provide growth opportunities into new markets, we have focused our efforts over the past several years on diversifying our presence outside of our historical E&P customer base. These efforts have been primarily focused within our Site and Access Solutions business, where we have prioritized growth in power transmission, pipeline, renewable energy, and construction markets. In the first nine months of 2021, our Industrial Solutions segment generated $142 million of revenues, including approximately $117 million from power transmission and other industrial markets. The continued diversification of our revenues, including end-markets that are likely to benefit from ongoing energy transition efforts around the world, such as power transmission, renewable energy, and geothermal, remains a strategic priority going forward, and we anticipate that our capital investments will primarily focus on industrial end-market expansion.
- *Provide products that enhance environmental sustainability* – Our Company has a long history of providing environmentally-friendly technologies to our customers. In the Industrial Solutions segment, we believe the lightweight design of our fully recyclable DURA-BASE® matting system provides a distinct environmental advantage for our customers as compared to alternative wood mat products in the market, by eliminating deforestation required to produce wood mat products while also reducing CO2 emissions associated with product transportation. In our Fluids Systems segment, our family of high-performance water-based fluids systems, which we market as Evolution® and DeepDrill® systems, are designed to enhance drilling performance while also providing a variety of environmental benefits relative to traditional oil-based fluids. Our Fluids Systems segment has also developed a water-based fluids system for geothermal applications that we market as TerraTherm™. The continued advancement of technology that provides our customers with economic benefits, while also enhancing their environmental and safety programs, remains a priority for our research and development efforts.

Our Fluids Systems operating results remain dependent on oil and natural gas drilling activity levels in the markets we serve and the nature of the drilling operations (including the depth and whether the wells are drilled vertically or horizontally), which governs the revenue potential of each well. Drilling activity levels, in turn, depend on a variety of factors, including oil and natural gas commodity pricing, inventory levels, product demand, and regulatory restrictions. Oil and natural gas prices and activity are cyclical and volatile, and this market volatility has a significant impact on our operating results.

While our revenue potential is driven by a number of factors including those described above, rig count data remains the most widely accepted indicator of drilling activity. Average North American rig count data for the third quarter and first nine months of 2021 as compared to the same periods of 2020 is as follows:

	Third Quarter		2021 vs 2020	
	2021	**2020**	**Count**	**%**
U.S. Rig Count	496	254	242	95 %
Canada Rig Count	151	47	104	221 %
North America Rig Count	647	301	346	115 %

	First Nine Months		2021 vs 2020	
	2021	**2020**	**Count**	**%**
U.S. Rig Count	445	477	(32)	(7)%
Canada Rig Count	120	89	31	35 %
North America Rig Count	565	566	(1)	— %

Source: Baker Hughes Company

During March 2020, oil prices collapsed due to geopolitical events along with the worldwide effects of the COVID-19 pandemic. As a result, U.S. rig count declined significantly beginning in late March 2020 before reaching a low of 244 in mid-August 2020. Oil prices have since rebounded and currently are at multi-year highs, while the average U.S. rig count has gradually increased over the past year, resulting in a 95% year-over-year third quarter improvement in U.S. rig count, though still 7% below prior year for the first nine months. We anticipate that market activity will continue to improve from current levels, although the ongoing impacts of the COVID-19 variants, an uncertain economic environment, including widespread supply chain disruptions, as well as enacted and proposed legislative changes in the U.S. impacting the oil and natural gas industry, make the timing and pace of recovery difficult to predict. The Canada rig count reflects normal seasonality for this market, with the highest rig count levels generally observed in the first quarter of each year, prior to spring break-up.

Outside of North America land markets, drilling activity is generally more stable as this drilling activity is based on longer-term economic projections and multi-year drilling programs, which typically reduces the impact of short-term changes in commodity prices on overall drilling activity. However, operations in several countries in the EMEA region experienced activity disruptions and project delays beginning in March 2020 and continuing in 2021, driven by government-imposed restrictions on movements of personnel, quarantines of staffing, and logistical limitations as a result of the COVID-19 pandemic. We expect these disruptions and project delays will continue to impact international activity levels in the near-term, and while there has been a general improvement in customer activity as we have progressed through 2021, the impact from the duration and magnitude of the ongoing health pandemic and related government responses are very difficult to predict.

In response to the 2020 market changes and reduced demand for our products and services as a result of the decline in oil prices and the COVID-19 pandemic, we took a number of actions during 2020 aimed at conserving cash and protecting our liquidity, which included the implementation of cost reduction programs, including workforce reductions, employee furloughs, the suspension of the Company's matching contributions to its U.S. defined contribution plan, and temporary salary reductions effective April 1, 2020 for a significant portion of U.S. employees, including executive officers and the annual cash retainers paid to all non-employee members of the Board of Directors. We recognized $18.0 million of charges during the first nine months of 2020 for inventory write-downs, severance costs, fixed asset impairments, and facility exit costs. Beginning in the second quarter of 2021, we restored salaries to pre-reduction levels for a portion of our non-executive U.S. employees and reinstituted the Company matching contribution for our U.S. defined contribution plan. Beginning in the third quarter of 2021, we restored salaries to pre-reduction levels for the remaining non-executive U.S. employees and our executive officers as well as the annual cash retainers paid to all non-employee members of the Board of Directors. We recognized total charges of $4.6 million during the first nine months of 2021, including $4.0 million in the third quarter of 2021, primarily related to self-insured costs associated with Hurricane Ida damage to our Fourchon, Louisiana Fluids Systems operating base, facility exit, and severance costs.

With ongoing support from outside financial and other advisors, we have continuously reviewed our portfolio during this oil and natural gas market downturn. These reviews have focused on evaluating changes in the outlook for our served markets and customer priorities, while identifying opportunities for value-creating options in our portfolio, as well as placing investment emphasis in markets where we generate strong returns and where we see greater long-term viability and stability. While we have taken certain actions to reduce our workforce and cost structure, our business contains high levels of fixed costs, including significant facility and personnel expense. We continue to evaluate under-performing areas of our business, including the U.S. and Gulf of Mexico oil and natural gas markets, which necessitates consideration of broader structural changes to transform this business for the new market realities. In the absence of a longer-term increase in activity levels, we may incur future charges related to these efforts or potential asset impairments, which may negatively impact our future results.

Segment Overview

Fluids Systems – Our Fluids Systems segment, which generated 67% of consolidated revenues for the first nine months of 2021, provides drilling, completion, and stimulation fluids products and related technical services to customers for oil, natural gas, and geothermal projects primarily in North America and Europe, the Middle East and Africa (“EMEA”), as well as certain countries in Asia Pacific and Latin America. Despite the continuing effects of COVID-19 impacting international customer activity, expansion outside of North America, including the penetration of international oil companies (“IOCs”) and national oil companies (“NOCs”), remains a key element of our Fluids Systems strategy, which has historically helped to stabilize segment revenues while North American oil and natural gas exploration activities have fluctuated significantly. Revenues from IOC and NOC customers represented approximately 29% of Fluids Systems segment revenues for the first nine months of 2021 compared to approximately 43% for the first nine months of 2020, with the decrease primarily due to COVID-related activity disruptions and project delays, as well as changes in customer drilling and completion activity levels in the Gulf of Mexico. Consistent with our strategy, during 2021, we secured multi-year tender awards in Bahrain and Thailand, both of which began in the third quarter of 2021.

Industrial Solutions – Our Industrial Solutions segment, which generated 33% of consolidated revenues for the first nine months of 2021, provides engineered composite matting system rentals utilized for temporary worksite access, along with related site construction and services to customers in various markets including power transmission, E&P, pipeline, renewable energy, petrochemical, construction and other industries, primarily in the United States and Europe. We also sell our manufactured composite mats to customers around the world, with power transmission being the primary end-market. In addition, we began leveraging our chemical blending capacity and technical expertise into industrial blending operations, and in response to the increasing market demand for cleaning products resulting from the COVID-19 pandemic, began producing disinfectants and industrial cleaning products in 2020. The scale-up of production was completed by the end of the third quarter of 2020, which effectively repositioned our chemical blending operation located in Conroe, Texas to support industrial end-markets. Beginning prospectively in the fourth quarter of 2020, the assets and operating results associated with these industrial blending operations are included in the Industrial Solutions segment, while the historical results from earlier in 2020, which were immaterial, are included in the Fluids Systems segment.

The expansion of our rental and service activities in power transmission and other industrial markets remains a strategic priority for us due to such markets’ relative stability compared to E&P, as well as the magnitude of growth opportunity in these markets, including the potential positive impact from the energy transition. During 2020, our business was impacted by the COVID-19 pandemic, as customers delayed purchases and planned projects citing COVID-related market uncertainty, permitting delays, and logistical restrictions. The Industrial Solutions segment rental and service revenues from power transmission and other industrial markets increased to approximately $64 million for the first nine months of 2021, compared to approximately $45 million for the first nine months of 2020. Product sales revenues largely reflect sales to power transmission customers and other industrial markets, and typically fluctuate based on the timing of customer orders. Total segment revenues from power transmission and other industrial markets were $117 million (82% of segment revenues) for the first nine months of 2021, more than doubling the $58 million (66% of segment revenues) generated in the first nine months of 2020, benefiting from the market recovery, including some level of pent-up demand associated with COVID-related project delays in 2020, particularly in the power transmission sector. We expect customer activity, particularly in the power transmission sector, will remain robust in the coming years, driven in part by the impacts of the energy transition and the increasing investment in grid reliance initiatives.

Third Quarter of 2021 Compared to Third Quarter of 2020

<u>Consolidated Results of Operations</u>

Summarized results of operations for the third quarter of 2021 compared to the third quarter of 2020 are as follows:

	Third Quarter		2021 vs 2020	
(In thousands)	2021	2020	$	%
Revenues	$ 151,797	$ 96,424	$ 55,373	57 %
Cost of revenues	132,273	99,301	32,972	33 %
Selling, general and administrative expenses	23,864	20,597	3,267	16 %
Other operating (income) loss, net	1,723	(820)	2,543	NM
Impairments	—	3,038	(3,038)	NM
Operating loss	(6,063)	(25,692)	19,629	76 %
Foreign currency exchange loss	25	580	(555)	(96) %
Interest expense, net	2,176	2,411	(235)	(10) %
Loss on extinguishment of debt	210	—	210	NM
Loss before income taxes	(8,474)	(28,683)	20,209	70 %
Provision (benefit) for income taxes	2,011	(4,813)	6,824	NM
Net loss	$ (10,485)	$ (23,870)	$ 13,385	(56) %

Revenues

Revenues increased 57% to $151.8 million for the third quarter of 2021, compared to $96.4 million for the third quarter of 2020. This $55.4 million increase includes a $42.2 million (62%) increase in revenues in North America, comprised of a $28.3 million increase in the Fluids Systems segment and a $13.9 million increase in the Industrial Solutions segment. Revenues from our North America operations increased primarily due to the 115% increase in North America rig count, which favorably impacted our Fluids Systems segment, as well as a recovery of activity in the power transmission sector, which favorably impacted our Industrial Solutions segment. Revenues from our international operations increased by $13.2 million (46%), but continues to be unfavorably impacted by activity disruptions and project delays resulting from the COVID-19 pandemic. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of revenues

Cost of revenues increased 33% to $132.3 million for the third quarter of 2021, compared to $99.3 million for the third quarter of 2020. The Fluids Systems segment cost of revenues for the third quarter of 2021 includes $2.0 million of charges primarily related to facility exit and severance costs, and the third quarter of 2020 included $1.1 million of charges related to inventory write-downs and severance costs. The increase in cost of revenues was primarily driven by the 57% increase in revenues described above.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $3.3 million to $23.9 million for the third quarter of 2021, compared to $20.6 million for the third quarter of 2020. This increase was primarily driven by higher performance-based incentive and stock-based compensation expense, as well as the restoration of certain U.S. salary and retirement benefits, partially offset by a reduction in legal costs. Selling, general and administrative expenses as a percentage of revenues was 15.7% for the third quarter of 2021 compared to 21.4% for the third quarter of 2020.

Other operating (income) loss, net

In August 2021, Hurricane Ida caused damage to our Fourchon, Louisiana Fluids Systems operating base. While this event is covered by our property and business interruption insurance programs, these programs contain self-insured retentions, which remain our financial obligations, resulting in $2.6 million of charges for the third quarter of 2021. Additional costs for property-related repairs, cleanup and other costs that may be incurred beyond the initial estimates are expected to be substantially recoverable under our property insurance policy. As of September 30, 2021, the claims related to the hurricane under our property and business interruption insurance programs have not been finalized.

The third quarter of 2021 also includes a $0.8 million gain related to the final insurance settlement associated with the July 2018 fire at our Kenedy, Texas drilling fluids facility. Other operating (income) loss, net, also includes gains on sales of assets.

Impairments

Fluids Systems segment included a $3.0 million impairment charge in the third quarter of 2020, attributable to the abandonment of certain property, plant and equipment.

Foreign currency exchange

Foreign currency exchange reflects the impact of currency translation on assets and liabilities (including intercompany balances) that are denominated in currencies other than functional currencies.

Interest expense, net

Interest expense was $2.2 million for the third quarter of 2021 compared to $2.4 million for the third quarter of 2020. Interest expense for the third quarter of 2021 and 2020 includes $1.0 million and $1.2 million, respectively, in non-cash amortization of original issue discount and debt issuance costs. The decrease in interest expense is primarily due to lower debt balances.

Loss on extinguishment of debt

In the third quarter of 2021, we repurchased $10.0 million of our Convertible Notes in the open market for $10.0 million. The $0.2 million loss for the third quarter of 2021 reflects the difference in the amount paid and the net carrying value of the extinguished debt, including original issue discount and debt issuance costs.

Provision (benefit) for income taxes

The provision for income taxes was $2.0 million for the third quarter of 2021, despite reporting a pretax loss for the period, primarily reflecting the impact of the geographic composition of our pretax loss. The tax expense primarily relates to earnings from our international operations since we are currently unable to recognize the tax benefit from our U.S. losses as they may not be realized. The benefit for income taxes was $4.8 million for the third quarter of 2020, where the tax benefit from losses in the U.S was partially offset by the tax expense related to earnings from our international operations.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

	Third Quarter		2021 vs 2020	
(In thousands)	2021	2020	$	%
Revenues				
Fluids Systems	$ 107,955	$ 67,711	$ 40,244	59 %
Industrial Solutions	43,842	28,713	15,129	53 %
Total revenues	$ 151,797	$ 96,424	$ 55,373	57 %
Operating income (loss)				
Fluids Systems	$ (6,646)	$ (18,957)	$ 12,311	
Industrial Solutions	8,103	(139)	8,242	
Corporate office	(7,520)	(6,596)	(924)	
Total operating loss	$ (6,063)	$ (25,692)	$ 19,629	
Segment operating margin				
Fluids Systems	(6.2)%	(28.0)%		
Industrial Solutions	18.5 %	(0.5)%		

Fluids Systems

Revenues

Total revenues for this segment consisted of the following:

	Third Quarter		2021 vs 2020	
(In thousands)	2021	2020	$	%
United States	$ 56,783	$ 40,314	$ 16,469	41 %
Canada	13,781	1,961	11,820	603 %
Total North America	70,564	42,275	28,289	67 %
EMEA	32,380	23,207	9,173	40 %
Other	5,011	2,229	2,782	125 %
Total International	37,391	25,436	11,955	47 %
Total Fluids Systems revenues	$ 107,955	$ 67,711	$ 40,244	59 %

North America revenues increased 67% to $70.6 million for the third quarter of 2021, compared to $42.3 million for the third quarter of 2020. This increase was primarily attributable to the increase in North America rig count, including a $20.2 million increase from U.S. land markets and a $11.8 million increase in Canada, partially offset by a $1.1 million decrease from offshore Gulf of Mexico driven primarily by changes in customer drilling and completion activity levels, including the impact from Hurricane Ida. For the third quarter of 2021, U.S. revenues include $51.1 million from land markets and $5.7 million from offshore Gulf of Mexico.

Internationally, revenues increased 47% to $37.4 million for the third quarter of 2021, compared to $25.4 million for the third quarter of 2020. The increase was primarily driven by higher activity in Europe, North Africa, and Asia Pacific regions. However, despite these improvements, customer activity levels in several key markets continue to be impacted by the COVID-19 pandemic.

Operating loss

The Fluids Systems segment incurred an operating loss of $6.6 million for the third quarter of 2021, reflecting a $12.3 million improvement from the $19.0 million operating loss incurred in the third quarter of 2020. The Fluids Systems segment operating loss for the third quarter of 2021 includes $4.0 million of charges primarily related to self-insured costs associated with Hurricane Ida damage to our Fourchon, Louisiana Fluids Systems operating base, facility exit, and severance costs, and the operating loss for the third quarter of 2020 included $4.5 million of charges primarily related to the impairment of certain fixed assets and other non-cash charges. The remaining improvement in the operating loss includes a $8.4 million benefit from North America operations and a $3.5 million benefit from international operations, which are primarily attributable to the changes in revenues described above along with the benefit of cost reduction programs implemented during 2020.

Industrial Solutions

Revenues

Total revenues for this segment consisted of the following:

	Third Quarter		2021 vs 2020	
(In thousands)	2021	2020	$	%
Product sales revenues	$ 14,240	$ 5,917	$ 8,323	141 %
Rental and service revenues	27,736	22,796	4,940	22 %
Industrial blending revenues	1,866	—	1,866	NM
Total Industrial Solutions revenues	$ 43,842	$ 28,713	$ 15,129	53 %

In the third quarter of 2020, customer activity across most end-markets was unfavorably impacted by the COVID-19 pandemic and the related operational restrictions and market uncertainty, causing delays in purchases and project execution. As a result of the COVID-19 impact and our expanding customer base in the power transmission market, revenues from product sales, which typically fluctuate based on the timing of mat orders from customers, increased $8.3 million from the third quarter of 2020. In addition, rental and service revenues increased $4.9 million as delayed purchases and projects resumed, including a $3.0 million increase from power transmission and other industrial markets, as well as a $1.9 million increase from the E&P market. The increase from industrial customers reflects our continued expansion into these markets, both in the U.S. and U.K.

Operating income (loss)

The Industrial Solutions segment generated operating income of $8.1 million for the third quarter of 2021 compared to an operating loss of $0.1 million for the third quarter of 2020, the increase being primarily attributable to the changes in revenues as described above.

Corporate Office

Corporate office expenses increased $0.9 million to $7.5 million for the third quarter of 2021, compared to $6.6 million for the third quarter of 2020. This increase was primarily driven by higher performance-based incentive and stock-based compensation expense, as well as the restoration of certain U.S. salary and retirement benefits, partially offset by the benefit of cost reduction programs implemented in 2020.

First Nine Months of 2021 Compared to First Nine Months of 2020

Consolidated Results of Operations

Summarized results of operations for the first nine months of 2021 compared to the first nine months of 2020 are as follows:

	First Nine Months		2021 vs 2020	
(In thousands)	2021	2020	$	%
Revenues	$ 435,218	$ 362,920	$ 72,298	20 %
Cost of revenues	376,370	357,675	18,695	5 %
Selling, general and administrative expenses	67,755	66,230	1,525	2 %
Other operating income, net	(141)	(1,906)	1,765	NM
Impairments	—	3,038	(3,038)	NM
Operating loss	(8,766)	(62,117)	53,351	86 %
Foreign currency exchange (gain) loss	(83)	3,343	(3,426)	NM
Interest expense, net	6,748	8,524	(1,776)	(21) %
(Gain) loss on extinguishment of debt	1,000	(419)	1,419	NM
Loss before income taxes	(16,431)	(73,565)	57,134	78 %
Provision (benefit) for income taxes	5,414	(11,303)	16,717	NM
Net loss	$ (21,845)	$ (62,262)	$ 40,417	65 %

Revenues

Revenues increased 20% to $435.2 million for the first nine months of 2021, compared to $362.9 million for the first nine months of 2020. This $72.3 million increase includes a $65.7 million (26%) increase in revenues in North America, comprised of a $48.0 million increase in the Industrial Solutions segment and a $17.7 million increase in the Fluids Systems segment. Revenues from our North America operations increased primarily due to the significant growth in power transmission and other industrial markets, which impacts our Industrial Solutions segment, as well as the improvement in North America rig count, which favorably impacted our Fluids Systems segment. Revenues from our international operations were relatively flat, as COVID-19 disruptions have unfavorably impacted customer activity levels in substantially all key markets. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of revenues

Cost of revenues increased 5% to $376.4 million for the first nine months of 2021, compared to $357.7 million for the first nine months of 2020. The Fluids Systems segment cost of revenues for the first nine months of 2021 includes $2.3 million of charges primarily related to facility exit and severance costs, and the first nine months of 2020 included a total of $13.4 million of charges related to inventory write-downs, severance costs, and facility exit costs. The remaining increase was primarily driven by the 20% increase in revenues described above, partially offset by the benefit of cost reduction programs implemented in 2020.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $1.5 million to $67.8 million for the first nine months of 2021, compared to $66.2 million for the first nine months of 2020. This increase was primarily driven by higher performance-based incentive and stock-based compensation expense, partially offset by reduced personnel costs in the first nine months of 2021, including the benefit of cost reduction programs implemented in 2020, as well as lower severance charges and legal costs. Selling, general and administrative expenses as a percentage of revenues was 15.6% for the first nine months of 2021 compared to 18.2% for the first nine months of 2020.

Other operating income, net

In August 2021, Hurricane Ida caused damage to our Fourchon, Louisiana Fluids Systems operating base. While this event is covered by our property and business interruption insurance programs, these programs contain self-insured retentions, which remain our financial obligations, resulting in $2.6 million of charges for the first nine months of 2021. The first nine months of 2021 also includes a $0.8 million gain related to the final insurance settlement associated with the July 2018 fire at our Kenedy, Texas drilling fluids facility, and a $1.0 million gain related to a legal settlement in the Industrial Solutions segment. Other operating income also includes gains on sales of assets.

Impairments

Fluids Systems segment includes a $3.0 million impairment charge for the first nine months of 2020, attributable to the abandonment of certain property, plant and equipment.

Foreign currency exchange

Foreign currency exchange was a $0.1 million gain for the first nine months of 2021 compared to a $3.3 million loss for the first nine months of 2020, and reflects the impact of currency translation on assets and liabilities (including intercompany balances) that are denominated in currencies other than functional currencies.

Interest expense, net

Interest expense was $6.7 million for the first nine months of 2021 compared to $8.5 million for the first nine months of 2020. Interest expense for the first nine months of 2021 and 2020 includes $3.1 million and $4.0 million, respectively, in non-cash amortization of original issue discount and debt issuance costs. The decrease in interest expense is primarily due to lower debt balances.

(Gain) loss on extinguishment of debt

In the first nine months of 2021 and 2020, we repurchased $28.3 million and $33.1 million, respectively, of our Convertible Notes in the open market for $28.1 million and $29.1 million, respectively. The $1.0 million loss and $0.4 million gain for the first nine months of 2021 and 2020, respectively, reflects the difference in the amount paid and the net carrying value of the extinguished debt, including original issue discount and debt issuance costs.

Provision (benefit) for income taxes

The provision for income taxes was $5.4 million for the first nine months of 2021, despite reporting a pretax loss for the period, primarily reflecting the impact of the geographic composition of our pretax loss. The tax expense primarily relates to earnings from our international operations since we are currently unable to recognize the tax benefit from our U.S. losses as they may not be realized. The benefit for income taxes was $11.3 million for the first nine months of 2020, where the tax benefit from losses in the U.S was partially offset by the tax expense related to earnings from our international operations.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

	First Nine Months		2021 vs 2020	
(In thousands)	2021	2020	$	%
Revenues				
Fluids Systems	$ 292,897	$ 275,178	$ 17,719	6 %
Industrial Solutions	142,321	87,742	54,579	62 %
Total revenues	$ 435,218	$ 362,920	$ 72,298	20 %
Operating income (loss)				
Fluids Systems	$ (19,944)	$ (46,284)	$ 26,340	
Industrial Solutions	31,376	3,928	27,448	
Corporate office	(20,198)	(19,761)	(437)	
Total operating loss	$ (8,766)	$ (62,117)	$ 53,351	
Segment operating margin				
Fluids Systems	(6.8)%	(16.8)%		
Industrial Solutions	22.0 %	4.5 %		

Fluids Systems

Revenues

Total revenues for this segment consisted of the following:

	First Nine Months		2021 vs 2020	
(In thousands)	2021	2020	$	%
United States	$ 161,237	$ 156,644	$ 4,593	3 %
Canada	31,400	18,287	13,113	72 %
Total North America	192,637	174,931	17,706	10 %
EMEA	90,801	91,380	(579)	(1)%
Other	9,459	8,867	592	7 %
Total International	100,260	100,247	13	— %
Total Fluids Systems revenues	$ 292,897	$ 275,178	$ 17,719	6 %

North America revenues increased 10% to $192.6 million for the first nine months of 2021, compared to $174.9 million for the first nine months of 2020. This increase was primarily attributable to a $22.2 million increase from U.S. land markets driven primarily by an increase in market share despite the 7% decline in U.S. rig count, partially offset by a $14.3 million decrease from offshore Gulf of Mexico driven primarily by changes in customer drilling and completion activity levels. In addition, Canada increased $13.1 million driven primarily by the 35% increase in Canada rig count and an increase in market share. For the first nine months of 2021, U.S. revenues include $139.9 million from land markets and $21.3 million from offshore Gulf of Mexico.

Internationally, revenues were flat for the first nine months of 2021 compared to the first nine months of 2020, as COVID-19 disruptions have continued to impact customer activity levels in substantially all key markets, with the most significant impact in the Middle East and North Africa.

Operating loss

The Fluids Systems segment incurred an operating loss of $19.9 million for the first nine months of 2021, reflecting a $26.3 million improvement from the $46.3 million operating loss incurred in the first nine months of 2020. The Fluids Systems segment operating loss for the first nine months of 2021 includes $4.6 million of charges primarily related to self-insured costs associated with Hurricane Ida damage to our Fourchon, Louisiana Fluids Systems operating base, facility exit, and severance costs, and operating loss for the first nine months of 2020 included $17.4 million of charges related to inventory write-downs, severance costs, fixed asset impairments, and facility exit costs. The remaining improvement in the operating loss includes a $14.0 million benefit from North America operations partially offset by a $0.4 million decline from international operations, reflecting the changes in revenues described above and the benefit of cost reduction programs implemented during 2020.

Industrial Solutions

Revenues

Total revenues for this segment consisted of the following:

	First Nine Months		2021 vs 2020	
(In thousands)	**2021**	**2020**	$	%
Product sales revenues	$ 44,459	$ 15,243	$ 29,216	192 %
Rental and service revenues	89,574	72,499	17,075	24 %
Industrial blending revenues	8,288	—	8,288	NM
Total Industrial Solutions revenues	$ 142,321	$ 87,742	$ 54,579	62 %

In the first nine months of 2020, customer activity across most end-markets was unfavorably impacted by the COVID-19 pandemic and the related operational restrictions and market uncertainty, causing delays in purchases and project execution. As a result, revenues from product sales, which typically fluctuate based on the timing of mat orders from customers, improved $29.2 million from the first nine months of 2020, including a favorable impact from pent-up demand following the COVID-19 pandemic as well as our expanding power transmission customer base.

Rental and service revenues increased $17.1 million as delayed purchases and projects resumed, including a $19.1 million increase from power transmission and other industrial markets, which was partially offset by a $2.0 million decrease from the E&P market. The increase from industrial customers reflects our continued expansion into these markets, both in the U.S. and U.K., including an approximately 44% increase in revenues from the power transmission sector. The revenue decrease from E&P customers primarily resulted from the lower U.S. drilling activity, along with our focus on supporting the more stable power transmission and other industrial markets.

Operating income

The Industrial Solutions segment generated operating income of $31.4 million for the first nine months of 2021 compared to $3.9 million for the first nine months of 2020, the increase being primarily attributable to the changes in revenues as described above. In addition, the Industrial Solutions operating results for the first nine months of 2021 includes a $1.0 million gain in other operating income related to a legal settlement.

Corporate Office

Corporate office expenses increased $0.4 million to $20.2 million for the first nine months of 2021, compared to $19.8 million for the first nine months of 2020. This increase was primarily driven by higher performance-based incentive and stock-based compensation expense, as well as the restoration of certain U.S. salary and retirement benefits, partially offset by the benefit of cost reduction programs implemented in 2020.

Liquidity and Capital Resources

Net cash provided by operating activities was $13.7 million for the first nine months of 2021 compared to $40.3 million for the first nine months of 2020. During the first nine months of 2021, net loss adjusted for non-cash items provided cash of $12.9 million, while changes in working capital provided cash of $0.7 million.

Net cash used in investing activities was $7.3 million for the first nine months of 2021, including capital expenditures of $19.1 million, partially offset by $11.7 million in proceeds from the sale of assets. The majority of the proceeds from the sale of assets reflect used mats from our rental fleet, which are part of the commercial offering of our Site and Access Solutions business. Nearly all of our capital expenditures during the first nine months of 2021 were directed to supporting our Industrial Solutions segment, including $13.4 million of investments in the mat rental fleet, replacing mats sold from the fleet and supporting our strategic growth in the power transmission sector.

Net cash provided by financing activities was $1.8 million for the first nine months of 2021, which primarily includes $15.9 million of net borrowings on our foreign lines of credit and ABL Facility, $8.1 million of net proceeds from a U.K. term loan facility, and $7.9 million of net proceeds from a sale-leaseback transaction accounted for as financing arrangement, partially offset by $28.1 million in repurchases of our Convertible Notes.

Substantially all of our $31.2 million of cash on hand at September 30, 2021 resides in our international subsidiaries. Subject to maintaining sufficient cash requirements to support the strategic objectives of these international subsidiaries and complying with applicable exchange or cash controls, we expect to continue to repatriate excess cash from these international subsidiaries. We anticipate that future working capital requirements for our operations will generally fluctuate directionally with revenues. We expect capital expenditures in the near term to remain fairly limited, focusing on industrial end-market expansion opportunities. We intend to repay the Convertible Notes at maturity in December 2021 with borrowings under the ABL Facility.

Availability under our ABL Facility also provides additional liquidity as discussed further below. Total availability under the ABL Facility will fluctuate directionally based on the level of eligible U.S. accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet. We expect our available cash on-hand, cash generated by operations, and the expected availability under our ABL Facility to be adequate to fund our current operations during the next 12 months and the repayment of the 2021 Convertible Notes. We also continue to evaluate additional sources of liquidity to support our longer-term needs.

Our capitalization is as follows:

(In thousands)	September 30, 2021	December 31, 2020
Convertible Notes	$ 38,567	$ 66,912
ABL Facility	24,100	19,100
Other debt	31,762	5,371
Unamortized discount and debt issuance costs	(685)	(4,221)
Total debt	$ 93,744	$ 87,162
Stockholders' equity	465,713	488,032
Total capitalization	$ 559,457	$ 575,194
Total debt to capitalization	16.8 %	15.2 %

Convertible Notes. In December 2016, we issued $100.0 million of unsecured convertible senior notes ("Convertible Notes") that mature on December 1, 2021, of which $38.6 million principal amount was outstanding at September 30, 2021. The notes bear interest at a rate of 4.0% per year, payable semiannually in arrears on June 1 and December 1 of each year.

Until the close of business on the business day immediately preceding the maturity date, holders may convert their notes at any time. If any notes are converted, we will settle the converted notes at the maturity date with a combination of cash and shares of common stock in accordance with the terms of the indenture governing the Convertible Notes. The conversion rate is 107.1381 shares of our common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of $9.33 per share of common stock), subject to adjustment in certain circumstances. We may not redeem the notes prior to their maturity date. As of November 1, 2021, no holders have converted their notes. The Convertible Notes are classified as long-term debt in the September 30, 2021 balance sheet as we intend to settle the notes at maturity utilizing borrowings under our ABL Facility.

In accordance with accounting guidance for convertible debt with a cash conversion option, we separately accounted for the debt and equity components of the notes in a manner that reflected our estimated nonconvertible debt borrowing rate. As of September 30, 2021, the carrying amount of the debt component was $38.1 million, which is net of the unamortized debt discount and debt issuance costs of $0.5 million. Including the impact of the unamortized debt discount and debt issuance costs, the effective interest rate on the notes is approximately 11.3%.

During the first nine months of 2021, we repurchased $28.3 million of our Convertible Notes in the open market for a total cost of $28.1 million, and recognized a net loss of $1.0 million reflecting the difference in the amount paid and the net carrying value of the extinguished debt, including original issue discount and debt issuance costs.

Asset-Based Loan Facility. In May 2016, we entered into an asset-based revolving credit agreement, which was amended in October 2017 and March 2019 (as amended, the "ABL Facility"). The ABL Facility provides financing of up to $200.0 million available for borrowings (inclusive of letters of credit) and can be increased up to a maximum capacity of $275.0 million, subject to certain conditions. The ABL Facility terminates in March 2024. As of September 30, 2021, our total availability under the ABL Facility was $106.2 million, of which $24.1 million was drawn, $39.3 million was reserved for settlement of the Convertible Notes, and $1.1 million was used for outstanding letters of credit, resulting in remaining availability of $41.7 million.

Borrowing availability under the ABL Facility is calculated based on eligible U.S. accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet, net of reserves and limits on such assets included in the borrowing base calculation. To the extent pledged by us, the borrowing base calculation also includes the amount of eligible pledged cash. The lender may establish such reserves, in part based on appraisals of the asset base, and other limits at its discretion which could reduce the amounts otherwise available under the ABL Facility. Availability associated with eligible rental mats will also be subject to maintaining a minimum consolidated fixed charge coverage ratio of 1.5 to 1.0 and at least $1.0 million of operating income for the Site and Access Solutions business, each calculated based on a trailing twelve-month period.

Under the terms of the ABL Facility, we may elect to borrow at a variable interest rate based on either, (1) LIBOR subject to a floor of zero or (2) a base rate equal to the highest of: (a) the federal funds rate plus 50 basis points, (b) the prime rate of Bank of America, N.A. and (c) LIBOR, subject to a floor of zero, plus 100 basis points, plus, in each case, an applicable margin per annum. The applicable margin ranges from 150 to 200 basis points for LIBOR borrowings, and 50 to 100 basis points for base rate borrowings, based on the consolidated fixed charge coverage ratio as defined in the ABL Facility. As of September 30, 2021, the applicable margin for borrowings under our ABL Facility was 150 basis points with respect to LIBOR borrowings and 50 basis points with respect to base rate borrowings. The weighted average interest rate for the ABL Facility was 1.65% at September 30, 2021. In addition, we are required to pay a commitment fee on the unused portion of the ABL Facility ranging from 25 to 37.5 basis points, based on the level of outstanding borrowings, as defined in the ABL Facility. As of September 30, 2021, the applicable commitment fee was 37.5 basis points.

The ABL Facility is a senior secured obligation, secured by first liens on substantially all of our U.S. tangible and intangible assets, and a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral. The ABL Facility contains customary operating covenants and certain restrictions including, among other things, the incurrence of additional debt, liens, dividends, asset sales, investments, mergers, acquisitions, affiliate transactions, stock repurchases and other restricted payments. The ABL Facility also requires a minimum consolidated fixed charge coverage ratio of 1.0 to 1.0 calculated based on a trailing twelve-month period if availability under the ABL Facility falls below $22.5 million. In addition, the ABL Facility contains customary events of default, including, without limitation, a failure to make payments under the facility, acceleration of more than $25.0 million of other indebtedness, certain bankruptcy events, and certain change of control events.

Other Debt. In August 2021, we completed sale-leaseback transactions related to certain vehicles and other equipment for net proceeds of approximately $7.9 million. The transactions have been accounted for as financing arrangements as they did not qualify for sale accounting. As a result, the vehicles and other equipment continue to be reflected on our balance sheet in property, plant and equipment, net. The financing arrangements have a weighted average annual interest rate of 5.4% and are payable in monthly installments with varying maturities through October 2025. We had an $8.0 million financing obligation outstanding under these arrangements at September 30, 2021.

In February 2021, a U.K. subsidiary entered a £6.0 million (approximately $8.3 million) term loan facility that matures in February 2024, the proceeds of which were used to pay down the ABL Facility. The term loan bears interest at a rate of LIBOR plus a margin of 3.4% per year, payable in quarterly installments of £375,000 plus interest beginning March 2021 and a £1.5 million payment due at maturity. We had $6.6 million outstanding under this arrangement at September 30, 2021.

Certain of our foreign subsidiaries maintain local credit arrangements consisting primarily of lines of credit or overdraft facilities which are generally renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs. We had $12.6 million and $3.5 million outstanding under these arrangements at September 30, 2021 and December 31, 2020, respectively.

In addition, at September 30, 2021, we had $43.1 million in outstanding letters of credit, performance bonds, and other guarantees for which certain of the letters of credit are collateralized by $6.0 million in restricted cash.

Our financial instruments include cash and cash equivalents, receivables, payables, and debt. We believe the carrying values of these instruments, with the exception of our Convertible Notes, approximated their fair values at September 30, 2021 and December 31, 2020. The estimated fair value of our Convertible Notes was $38.6 million at September 30, 2021 and $61.1 million at December 31, 2020, based on quoted market prices at these respective dates.

Critical Accounting Estimates and Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts and disclosure. Significant estimates used in preparing our consolidated financial statements include estimated cash flows and fair values used for impairments of long-lived assets, including goodwill and other intangibles, and valuation allowances for deferred tax assets. Our estimates are based on historical experience and on our future expectations that we believe to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

For additional discussion of our critical accounting estimates and policies, see “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2020. Our critical accounting estimates and policies have not materially changed since December 31, 2020.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and changes in foreign currency exchange rates. A discussion of our primary market risk exposure in financial instruments is presented below.

Interest Rate Risk

At September 30, 2021, we had total principal amounts outstanding under financing arrangements of $94.4 million, including $38.6 million of borrowings under our Convertible Notes which bear interest at a fixed rate of 4.0%, as well as $24.1 million of borrowings under our ABL Facility and $6.6 million of borrowings under a U.K. term loan which are subject to variable interest rates as determined by the respective debt agreements. The weighted average interest rate at September 30, 2021 for the ABL Facility and the U.K. term loan was 1.7% and 3.4%, respectively. Based on the balance of variable rate debt at September 30, 2021, a 100 basis-point increase in short-term interest rates would have increased annual pre-tax interest expense by $0.3 million.

Foreign Currency Risk

Our principal foreign operations are conducted in certain areas of EMEA, Canada, Asia Pacific, and Latin America. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate including European euros, Kuwaiti dinar, Algerian dinar, Romanian new leu, Canadian dollars, British pounds, and Australian dollars. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2021, the end of the period covered by this quarterly report.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state, and local levels. While the outcome of litigation or other proceedings against us cannot be predicted with certainty, management does not expect that any loss resulting from such litigation or other proceedings, in excess of any amounts accrued or covered by insurance, will have a material adverse impact on our consolidated financial statements.

ITEM 1A. Risk Factors

Set forth below are changes during the period ended September 30, 2021 in our "Risk Factors" as discussed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and updated in our Quarterly Report on Form 10-Q for the three months ended June 30, 2021.

Risks Related to the Price and Availability of Raw Materials

Our ability to provide products and services to our customers is dependent upon our ability to obtain raw materials necessary to operate our business. Certain of the raw materials essential to our business are sourced globally and require various freight services to transport the materials to our jobsites. These services may be impacted by current supply chain disruptions and, particularly during times of high demand, may cause delays in the arrival of or otherwise constrain our supply of raw materials. These constraints could have a material adverse effect on our business and consolidated results of operations. In addition, price increases imposed by our vendors for raw materials used in our business and the inability to pass these increases through to our customers could have a material adverse effect on our business and results of operations.

Our Industrial Solutions business is highly dependent on the availability of high-density polyethylene ("HDPE"), which is the primary raw material used in the manufacture of our composite mats. The cost of HDPE can vary significantly based on the energy costs of the producers of HDPE, demand for this material, and the capacity or operations of the plants used to make HDPE. Should the cost of HDPE increase, we may not be able to increase our customer pricing to cover our costs, which could result in a reduction in future profitability.

In addition, our Fluids Systems business is highly dependent on the availability of barite, which is a naturally occurring mineral that constitutes a significant portion of our fluids systems. We currently secure the majority of our barite ore from foreign sources, primarily China and India. The availability and cost of barite ore is dependent on factors beyond our control, including transportation, political priorities, U.S. tariffs, and government-imposed export fees in the exporting countries, as well as the impact of weather and natural disasters. The future supply of barite ore from existing sources may be inadequate to meet the market demand, particularly during periods of increasing world-wide demand, which could ultimately restrict industry activity or our ability to meet our customers' needs.

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

a) Not applicable

b) Not applicable

c) The following table details our repurchases of shares of our common stock for the three months ended September 30, 2021:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs ($ in Millions)
July 2021	12,175	$ 2.93	—	$ 33.8
August 2021	8,257	$ 2.42	—	$ 23.8
September 2021	450	$ 2.61	—	$ 23.8
Total	20,882		—	

During the three months ended September 30, 2021, we purchased an aggregate of 20,882 shares surrendered in lieu of taxes under vesting of restricted shares.

In November 2018, our Board of Directors authorized changes to our securities repurchase program. These changes increased the authorized amount under the repurchase program to $100.0 million, available for repurchases of any combination of our common stock and our Convertible Notes.

Our repurchase program authorizes us to purchase outstanding shares of our common stock or Convertible Notes in the open market or as otherwise determined by management, subject to certain limitations under the ABL Facility and other factors. The repurchase program has no specific term. Repurchases are expected to be funded from operating cash flows, available cash on hand, and borrowings under our ABL Facility. As part of the share repurchase program, our management has been authorized to establish trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934. As of September 30, 2021, we had $23.8 million remaining under the program.

During the three months ended September 30, 2021, we repurchased $10.0 million of our Convertible Notes in the open market under the repurchase program for a total cost of $10.0 million. There were no shares of common stock repurchased under the repurchase program during the three months ended September 30, 2021.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations and other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 of this Quarterly Report on Form 10-Q, which is incorporated by reference.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The exhibits listed are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

†10.1	Amendment to Employment Agreement dated August 17, 2021, between Newpark Resources, Inc. and Matthew Lanigan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 23, 2021 (SEC File No. 001-02960)
†10.2	Retirement and Restrictive Covenant Agreement and General Release dated August 17, 2021, between Newpark Resources, Inc. and Paul L. Howes, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 23, 2021 (SEC File No. 001-02960)
†10.3	Form of Cash Retention Award Agreement dated August 17, 2021, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 23, 2021 (SEC File No. 001-02960)
*31.1	Certification of Paul L. Howes pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Gregg S. Piontek pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of Paul L. Howes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of Gregg S. Piontek pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*95.1	Reporting requirements under the Mine Safety and Health Administration
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
*101.SCH	Inline XBRL Schema Document
*101.CAL	Inline XBRL Calculation Linkbase Document
*101.DEF	Inline XBRL Definition Linkbase Document
*101.LAB	Inline XBRL Label Linkbase Document
*101.PRE	Inline XBRL Presentation Linkbase Document
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Management compensation plan or agreement.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 3, 2021

NEWPARK RESOURCES, INC.
(Registrant)

By: /s/ Paul L. Howes
Paul L. Howes
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Gregg S. Piontek
Gregg S. Piontek
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Douglas L. White
Douglas L. White
Vice President, Chief Accounting Officer and Treasurer
(Principal Accounting Officer)

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul L. Howes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newpark Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ Paul L. Howes
Paul L. Howes
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregg S. Piontek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newpark Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ Gregg S. Piontek
Gregg S. Piontek
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2021, of Newpark Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul L. Howes, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2021

/s/ Paul L. Howes
Paul L. Howes
Chief Executive Officer

Exhibit 32.2

Certification
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2021, of Newpark Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregg S. Piontek, Senior Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2021

/s/ Gregg S. Piontek
Gregg S. Piontek
Senior Vice President and Chief Financial Officer

Exhibit 95.1

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission (“SEC”). Our subsidiary, Excalibar Minerals LLC (“Excalibar”), engages in the processing of barite ore and is subject to the jurisdiction of the Mine Safety and Health Administration (“MSHA”). For that reason, we are providing below the required mine safety data for the four specialized barite and calcium carbonate grinding facilities operated by Excalibar that are subject to the regulation by MSHA under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

As required by the reporting requirements regarding mine safety included in Section 1503 of the Dodd-Frank Act and the SEC’s final rules promulgated thereunder, the table below presents the following information for the three months ended September 30, 2021 for each of the specialized facilities operated by our subsidiary:

(a) The total number of Mine Act Section 104 significant and substantial citations received, which are for alleged violations of a mining safety standard or regulation where there exists a reasonable likelihood that the hazard could result in an injury or illness of a reasonably serious nature;

(b) The total number of Mine Act Section 104(b) orders received, which are for an alleged failure to totally abate the subject matter of a Mine Act Section 104(a) citation within the period specified in the citation;

(c) The total number of Mine Act Section 104(d) citations and orders received, which are for an alleged unwarrantable failure to comply with a mining safety standard or regulation;

(d) The total number of flagrant violations under Section 110(b)(2) of the Mine Act received;

(e) The total number of imminent danger orders issued under Section 107(a) of the Mine Act;

(f) The total dollar value of proposed assessments from MSHA under the Mine Act;

(g) The total number of mining-related fatalities;

(h) Mine Act Section 104(e) written notices for an alleged pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of a coal mine health or safety hazard, or the potential to have such a pattern; and

(i) The total number of pending legal actions before the Federal Mine Safety and Health Review Commission as required by Section 1503(a)(3) of the Dodd-Frank Act. The number of legal actions pending as of September 30, 2021 that are:

(1)	contests of citations and orders referenced in Subpart B of 29 CFR Part 2700:	0
(2)	contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700:	0
(3)	complaints for compensation referenced in Subpart D of 29 CFR Part 2700:	0
(4)	complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700:	0
(5)	applications for temporary relief referenced in Subpart F of 29 CFR Part 2700:	0
(6)	appeals of judges’ decisions or orders to the Federal Mine Safety and Health Review Commission referenced in Subpart H of 29 CFR Part 2700:	0

For the Three Months Ended September 30, 2021

Mine or Operating Name/MSHA Identification Number	(A) Section 104 S&S Citations (#)	(B) Section 104(b) Orders (#)	(C) Section 104(d) Citations and Orders (#)	(D) Section 110(b)(2) Violations (#)	(E) Section 107(a) Orders (#)	(F) Total Dollar Value of MSHA Assessments Proposed ($)	(G) Total Number of Mining Related Fatalities (#)	(H) Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	(H) Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	(I) Legal Actions Pending as of Last Day of Period (#)	(I) Legal Actions Initiated During Period (#)	(I) Legal Actions Resolved During Period (#)
Houston Plant / 41-04449	1	—	—	—	—	$146	—	No	No	—	—	—
Dyersburg Plant / 40-03183	—	—	—	—	—	—	—	No	No	—	—	—
New Iberia Plant / 16-01302	—	—	—	—	—	—	—	No	No	—	—	—
Corpus Christi Plant / 41-04002	—	—	—	—	—	—	—	No	No	—	—	—

In evaluating the above information regarding mine safety and health, investors should take into account factors such as (i) the number of citations and orders will vary depending on the size of the coal mine or facility, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.