Exterran Corp
Form 10-Q
August 08, 2017

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

Form 10-Q
(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2017
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 001-36875

EXTERRAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	47-3282259
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4444 Brittmoore Road	
Houston, Texas	77041
(Address of principal executive offices)	(Zip Code)

(281) 836-7000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 o		Accelerated filer	x

Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company o
		Emerging growth company o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Number of shares of the common stock of the registrant outstanding as of July 31, 2017: 35,793,506 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXTERRAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)
(unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$45,364	$ 35,678
Restricted cash	671	671
Accounts receivable, net of allowance of $6,204 and $5,383, respectively	253,140	230,607
Inventory (Note 3)	150,458	157,516
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 4)	48,204	31,956
Other current assets	44,217	55,516
Current assets associated with discontinued operations (Note 2)	3	14
Total current assets	542,057	511,958
Property, plant and equipment, net (Note 5)	787,418	797,809
Deferred income taxes	9,277	6,015
Intangible and other assets, net	67,903	58,996
Total assets	$ 1,406,655	$ 1,374,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	$ 120,975	$ 95,959
Accrued liabilities	129,427	162,792
Deferred revenue	24,670	32,154
Billings on uncompleted contracts in excess of costs and estimated earnings (Note 4)	86,970	42,116
Current liabilities associated with discontinued operations (Note 2)	269	1,113
Total current liabilities	362,311	334,134
Long-term debt (Note 7)	367,535	348,970
Deferred income taxes	10,874	11,700
Long-term deferred revenue	100,236	98,964
Other long-term liabilities	24,688	24,237
Long-term liabilities associated with discontinued operations (Note 2)	—	2
Total liabilities	865,644	818,007
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 50,000,000 shares authorized; zero issued	—	—
Common stock, $0.01 par value per share; 250,000,000 shares authorized; 36,178,889 and 35,641,113 shares issued, respectively	362	356
Additional paid-in capital	732,961	768,304

Accumulated deficit	(233,525)	(257,252)
Treasury stock — 385,383 and 202,430 common shares, at cost, respectively	(5,269)	(2,145)
Accumulated other comprehensive income	46,482	47,508
Total stockholders' equity	541,011	556,771
Total liabilities and stockholders' equity	$ 1,406,655	$ 1,374,778

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

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EXTERRAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Contract operations	$95,341	$94,689	$187,386	$199,448
Aftermarket services	24,244	34,668	46,768	64,909
Oil and gas product sales	198,116	99,332	328,972	240,999
Belleli EPC product sales	12,885	33,458	48,159	63,421
	330,586	262,147	611,285	568,777
Costs and expenses:				
Cost of sales (excluding depreciation and amortization expense):				
Contract operations	34,691	36,401	65,489	74,899
Aftermarket services	17,278	24,137	33,890	46,437
Oil and gas product sales	178,025	89,786	297,562	220,091
Belleli EPC product sales	8,064	33,262	26,063	64,849
Selling, general and administrative	46,084	40,648	91,481	86,386
Depreciation and amortization	29,447	27,417	55,327	78,350
Long-lived asset impairment (Note 9)	—	—	—	651
Restatement related charges (recoveries), net (Note 10)	(1,158)	7,851	1,014	7,851
Restructuring and other charges (Note 11)	310	10,636	2,178	23,203
Interest expense	12,382	8,879	19,469	17,342
Equity in income of non-consolidated affiliates (Note 6)	—	(5,229)	—	(10,403)
Other (income) expense, net	3,701	(5,394)	1,368	(9,811)
	328,824	268,394	593,841	599,845
Income (loss) before income taxes	1,762	(6,247)	17,444	(31,068)
Provision for (benefit from) income taxes (Note 12)	(1,814)	100,335	13,185	104,344
Income (loss) from continuing operations	3,576	(106,582)	4,259	(135,412)
Income (loss) from discontinued operations, net of tax (Note 2)	(32)	11,036	19,606	(53,091)
Net income (loss)	$3,544	$(95,546)	$23,865	$(188,503)
Basic net income (loss) per common share (Note 14):				
Income (loss) from continuing operations per common share	$0.10	$(3.08)	$0.12	$(3.92)
Income (loss) from discontinued operations per common share	—	0.32	0.54	(1.54)
Net income (loss) per common share	$0.10	$(2.76)	$0.66	$(5.46)
Diluted net income (loss) per common share (Note 14):				
Income (loss) from continuing operations per common share	$0.10	$(3.08)	$0.12	$(3.92)
Income (loss) from discontinued operations per common share	—	0.32	0.54	(1.54)
Net income (loss) per common share	$0.10	$(2.76)	$0.66	$(5.46)
Weighted average common shares outstanding used in net income (loss) per common share (Note 14):				
Basic	35,018	34,618	34,913	34,529

Diluted	35,094	34,618	34,999	34,529

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

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EXTERRAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$3,544	$(95,546)	$23,865	$(188,503)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(2,669)	1,886	(1,026)	4,199
Comprehensive income (loss)	$875	$(93,660)	$22,839	$(184,304)

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

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EXTERRAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2016	$ 352	$805,755	$(29,315)	$(54)	$ 29,198	$805,936
Net loss			(188,503)			(188,503)
Options exercised		694				694
Foreign currency translation adjustment					4,199	4,199
Cash transfer to Archrock, Inc. (Note 15)		(29,662)				(29,662)
Treasury stock purchased				(1,427)		(1,427)
Stock-based compensation, net of forfeitures	4	7,252				7,256
Other		(28)				(28)
Balance, June 30, 2016	$ 356	$784,011	$(217,818)	$(1,481)	$ 33,397	$598,465
Balance, January 1, 2017	$ 356	$768,304	$(257,252)	$(2,145)	$ 47,508	$556,771
Cumulative-effect adjustment from adoption of ASU 2016-09		138	(138)			—
Net income			23,865			23,865
Options exercised	1	683				684
Foreign currency translation adjustment					(1,026)	(1,026)
Cash transfer to Archrock, Inc. (Notes 7 and 15)		(44,720)				(44,720)
Treasury stock purchased				(3,124)		(3,124)
Stock-based compensation, net of forfeitures	5	8,556				8,561
Balance, June 30, 2017	$ 362	$732,961	$(233,525)	$(5,269)	$ 46,482	$541,011

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

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EXTERRAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Net income (loss)	$23,865	$(188,503)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	55,327	78,350
Long-lived asset impairment	—	651
Amortization of deferred financing costs	3,375	2,321
(Income) loss from discontinued operations, net of tax	(19,606)	53,091
Provision for doubtful accounts	953	1,394
Gain on sale of property, plant and equipment	(1,783)	(2,301)
Equity in income of non-consolidated affiliates	—	(10,403)
Gain on remeasurement of intercompany balances	(26)	(7,546)
Loss on foreign currency derivatives	—	546
Loss on sale of business	111	—
Stock-based compensation expense	8,561	7,256
Deferred income tax provision (benefit)	(5,143)	72,818
Changes in assets and liabilities:		
Accounts receivable and notes	(25,663)	124,865
Inventory	6,032	36,742
Costs and estimated earnings versus billings on uncompleted contracts	28,567	3,597
Other current assets	(3,476)	10,696
Accounts payable and other liabilities	(8,971)	(36,396)
Deferred revenue	(5,039)	23,581
Other	(1,223)	3,538
Net cash provided by continuing operations	55,861	174,297
Net cash provided by (used in) discontinued operations	2,241	(3,163)
Net cash provided by operating activities	58,102	171,134
Cash flows from investing activities:		
Capital expenditures	(44,216)	(30,787)
Proceeds from sale of property, plant and equipment	6,991	899
Proceeds from sale of business	894	—
Return of investments in non-consolidated affiliates	—	10,403
Settlement of foreign currency derivatives	—	(53)
Net cash used in continuing operations	(36,331)	(19,538)
Net cash provided by discontinued operations	18,600	14,637
Net cash used in investing activities	(17,731)	(4,901)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt	488,000	284,258
Repayments of long-term debt	(463,877)	(412,385)

Cash transfer to Archrock, Inc. (Notes 7 and 15)	(44,720)	(29,662)
Payments for debt issuance costs	(7,606)	(779)
Proceeds from stock options exercised	684	694
Purchases of treasury stock	(3,124)	(1,427)
Net cash used in financing activities	(30,643)	(159,301)
Effect of exchange rate changes on cash and cash equivalents	(42)	(2,544)
Net increase in cash and cash equivalents	9,686	4,388
Cash and cash equivalents at beginning of period	35,678	29,032
Cash and cash equivalents at end of period	$45,364	$33,420

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

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EXTERRAN CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Description of Business and Basis of Presentation

Description of Business

Exterran Corporation (together with its subsidiaries, “Exterran Corporation,” “our,” “we” or “us”), a Delaware corporation formed in March 2015, is a market leader in the provision of compression, production and processing products and services that support the production and transportation of oil and natural gas throughout the world. We provide these products and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. We operate in four primary business lines: contract operations, aftermarket services, oil and gas product sales and Belleli EPC product sales.

On November 3, 2015, Archrock, Inc. (named Exterran Holdings, Inc. prior to November 3, 2015) (“Archrock”) completed the spin-off (the ‘‘Spin-off”) of its international contract operations, international aftermarket services and global fabrication businesses into an independent, publicly traded company named Exterran Corporation.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Exterran Corporation included herein have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America (“U.S.”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP are not required in these interim financial statements and have been condensed or omitted. Management believes that the information furnished includes all adjustments of a normal recurring nature that are necessary to fairly present our consolidated financial position, results of operations and cash flows for the periods indicated. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements presented in our Annual Report on Form 10-K for the year ended December 31, 2016. That report contains a comprehensive summary of our accounting policies. The interim results reported herein are not necessarily indicative of results for a full year.

We refer to the condensed consolidated financial statements collectively as “financial statements,” and individually as “balance sheets,” “statements of operations,” “statements of comprehensive income (loss),” “statements of stockholders’ equity” and “statements of cash flows” herein.

Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standard Updates (“ASUs”). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Recently Adopted Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-11, Simplifying the Measurement of Inventory, which requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. On January 1, 2017, we adopted this update on a prospective basis. The adoption of this update did not have a material impact on our financial statements.

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In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). The update covers such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. On January 1, 2017, we adopted this update. Upon adoption, we elected to account for forfeitures as they occur rather than applying an estimated forfeiture rate, which resulted in a cumulative-effect adjustment to accumulated deficit and additional paid-in capital of $0.1 million under the modified retrospective transition method. Additionally, as a result of this adoption, cash flows related to excess tax benefits are now presented within operating activities within the statements of cash flows. The impact of this retroactive adoption was immaterial to the results of the prior year period.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The update outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. The update also requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Companies may use either a full retrospective or a modified retrospective approach to adopt the updates. We intend to adopt the new guidance on January 1, 2018 using the modified retrospective approach. In preparation for our adoption of the new standard, we have evaluated representative samples of contracts and other forms of agreements with our customers based upon the five-step model specified by the new guidance. We are in the process of completing our preliminary assessment of the potential impact the implementation of this new guidance may have on our financial statements. Although our preliminary assessment may change based upon completion of our evaluation, the following summarizes the more significant impacts expected from the adoption of the new standard:

- Revenue from the sale of compression equipment within our oil and gas product sales segment is currently recognized over time using the percentage-of-completion method. Under the new standard, a significant amount of revenue from the sale of compression equipment is expected to be recognized at a point in time.
- Revenue from installation services within our oil and gas product sales segment is currently recognized using the completed contract method. Under the new standard, revenue from such services is expected to be recognized over time.
- Revenue from overhaul and reconfiguration services within our aftermarket services segment is currently recognized at a point in time. Under the new standard, revenue from such services is expected to be recognized over time.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operations. The update also requires certain qualitative and quantitative disclosures about the amount, timing and uncertainty of cash flows arising from leases. Accounting by lessors will remain largely unchanged. This update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. Adoption will require a modified retrospective approach beginning with the earliest period presented. We are currently evaluating the potential impact of the update on our financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326). The update changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. This update is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. Adoption will require a modified retrospective approach beginning with the earliest period presented. We are currently evaluating the potential impact of the update on our financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. This update will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. We are currently evaluating the potential impact of the update on our financial statements.

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In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The update requires a reporting entity to recognize the tax expense from intra-entity asset transfers of assets other than inventory in the selling entity's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buying entity's jurisdiction would also be recognized at the time of the transfer. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Adoption will require a modified retrospective approach beginning with the earliest period presented. We are currently evaluating the potential impact of the update on our financial statements.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period, using a retrospective transition method to each period presented. This update will result in the inclusion of our restricted cash balances with cash and cash equivalents to reflect total cash in our statements of cash flows. We do not expect the adoption of this update to be material to our financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718). This update provides guidance that clarifies that changes to the terms or conditions of a share-based payment award should be accounted for as modifications. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period, using a prospective method to an award modified on or after the adoption date. We are currently evaluating the potential impact of the update on our financial statements.

Note 2 - Discontinued Operations

In August 2012, our Venezuelan subsidiary sold its previously nationalized assets to PDVSA Gas, S.A. ("PDVSA Gas") for a purchase price of approximately $441.7 million. We received an installment payment, including an annual charge, totaling $19.7 million during the six months ended June 30, 2017 and $19.3 million during the three and six months ended June 30, 2016. As of June 30, 2017, the remaining principal amount due to us was approximately $17 million. We have not recognized amounts payable to us by PDVSA Gas as a receivable and will therefore recognize payments received in the future as income from discontinued operations in the periods such payments are received. The proceeds from the sale of the assets are not subject to Venezuelan national taxes due to an exemption allowed under the Venezuelan Reserve Law applicable to expropriation settlements. In addition, and in connection with the sale, we and the Venezuelan government agreed to waive rights to assert certain claims against each other.

In connection with the sale of these assets, we have agreed to suspend the arbitration proceeding previously filed by our Spanish subsidiary against Venezuela pending payment in full by PDVSA Gas of the purchase price for these nationalized assets.

In accordance with the separation and distribution agreement, a subsidiary of Archrock has the right to receive payments from our wholly owned subsidiary, Exterran Energy Solutions, L.P. ("EESLP"), based on a notional amount corresponding to payments received by our subsidiaries from PDVSA Gas in respect of the sale of our previously nationalized assets promptly after such amounts are collected by our subsidiaries. Pursuant to the separation and distribution agreement, we transferred cash of $19.7 million and $19.3 million to Archrock during the six months ended June 30, 2017 and 2016, respectively. The transfer of cash was recognized as a reduction to additional paid-in capital in our financial statements. See Note 15 for further discussion related to our contingent liability to Archrock.

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In the first quarter of 2016, we began executing a plan to exit certain Belleli businesses to focus on our core oil and gas businesses. Specifically, we began marketing for sale the Belleli CPE business comprised of engineering, procurement and manufacturing services related to the manufacture of critical process equipment for refinery and petrochemical facilities (referred to as "Belleli CPE" or the "Belleli CPE business" herein). In addition, we began executing our exit of the Belleli EPC business that has historically been comprised of engineering, procurement and construction for the manufacture of tanks for tank farms and the manufacture of evaporators and brine heaters for desalination plants in the Middle East (referred to as "Belleli EPC" or the "Belleli EPC business" herein). Belleli CPE met the held for sale criteria and is reflected as discontinued operations in our financial statements for all periods presented. In August 2016, we completed the sale of our Belleli CPE business to Tosto S.r.l. for cash proceeds of $5.5 million. Belleli CPE was previously included in our former product sales segment. In conjunction with the planned disposition of Belleli CPE, we recorded impairments of long-lived assets and current assets that totaled $7.1 million and $68.8 million during the three and six months ended June 30, 2016, respectively. The impairment charges are reflected in income (loss) from discontinued operations, net of tax. In accordance with GAAP, Belleli EPC will be reflected as discontinued operations upon the substantial cessation of the remaining non-oil and gas business. During the first quarter of 2016, we ceased the booking of new orders for our Belleli EPC business. Our plan to exit our Belleli EPC business resulted in a reduction in the remaining useful lives of the assets that are currently used in the Belleli EPC business and a long-lived asset impairment charge of $0.7 million impacting results from continuing operations during the six months ended June 30, 2016. Belleli EPC is represented by our Belleli EPC product sales segment.

The following table summarizes the operating results of discontinued operations (in thousands):

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016		
	Venezuela	Venezuela	Belleli CPE	Total
Revenue	$ —	$—	$12,164	$12,164
Cost of sales (excluding depreciation and amortization expense)	—	—	11,762	11,762
Selling, general and administrative	32	40	1,548	1,588
Long-lived asset impairment	—	—	7,144	7,144
Recovery attributable to expropriation	—	(16,551)	—	(16,551)
Interest expense	—	—	7	7
Other (income) expense, net	—	(2,753)	(69)	(2,822)
Income (loss) from discontinued operations, net of tax	$ (32)	$19,264	$(8,228)	$11,036

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016		
	Venezuela	Venezuela	Belleli CPE	Total
Revenue	$—	$—	$24,093	$24,093
Cost of sales (excluding depreciation and amortization expense)	—	—	23,436	23,436
Selling, general and administrative	65	78	3,441	3,519
Depreciation and amortization	—	—	861	861

Long-lived asset impairment	—	—	68,780	68,780
Recovery attributable to expropriation	(16,514)	(16,557)	—	(16,557)
Interest expense	—	—	15	15
Other (income) expense, net	(3,157)	(3,021)	151	(2,870)
Income (loss) from discontinued operations, net of tax	$ 19,606	$ 19,500	$ (72,591)	$ (53,091)

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The following table summarizes the balance sheet data for discontinued operations (in thousands):

	June 30, 2017			December 31, 2016		
	Venezuela	Belleli CPE	Total	Venezuela	Belleli CPE	Total
Cash	$ 3	$ —	$ 3	$ 11	$ —	$ 11
Other current assets	—	—	—	3	—	3
Total assets associated with discontinued operations	$ 3	$ —	$ 3	$ 14	$ —	$ 14
Accrued liabilities	$ 62	$ 207	$ 269	$ 906	$ 207	$ 1,113
Total current liabilities associated with discontinued operations	62	207	269	906	207	1,113
Other long-term liabilities	—	—	—	2	—	2
Total liabilities associated with discontinued operations	$ 62	$ 207	$ 269	$ 908	$ 207	$ 1,115

Note 3 - Inventory

Inventory consisted of the following amounts (in thousands):

	June 30, 2017	December 31, 2016
Parts and supplies	$ 104,824	$ 104,897
Work in progress	29,267	32,167
Finished goods	16,367	20,452
Inventory	$ 150,458	$ 157,516

Note 4 - Product Sales Contracts

Costs, estimated earnings (losses) and billings on uncompleted contracts that are recognized using the percentage-of-completion method consisted of the following (in thousands):

June 30,
2017