Cactus, Inc. (NYSE: WHD)
Q2 2018 Earnings Call Transcript
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Call Participants

EXECUTIVES

Scott Bender
President, CEO & Director
Brian Small
Chief Financial Officer
Stephen Tadlock
VP & Chief Administrative Officer

ANALYSTS

David Anderson
Barclays
Scott Gruber
Citigroup
Kurt Hallead
RBC Capital Markets, LLC,
Sean Meakim
JP Morgan Chase & Co.
Byron Pope
Tudor, Pickering, Holt & Co.
James Wicklund
Crédit Suisse

Presentation

Operator
Good day, and welcome to the Cactus 2Q 2018 earnings call. Today's call is being recorded. At this time, I'd like to turn the call over to Stephen Tadlock. Please go ahead, sir.

Stephen Tadlock
VP & Chief Administrative Officer
Thank you, and good morning everyone. We appreciate your participation in today's call. The speakers on today's call will be Scott Bender, our Chief Executive Officer and Brian Small, our Chief Financial Officer. Also joining us today are Joel Bender, Senior Vice President and Chief Operating Officer, and Steven Bender, Vice President of Operations.

Yesterday afternoon, we issued our second quarter earnings release, which is available on our website at www.CactusWHD.com. Please note that any comments we make on today's call regarding projections or our expectations for future events are forward-looking statements covered by the Private Securities Litigation Reform Act. Forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties can cause actual results to differ materially from our current expectations. We advise listeners to review our earnings release and the risk factors discussed in our filings with the SEC. Any forward-looking statements we make today are only as of today's date, and we undertake no obligation to publicly update or review any forward-looking statements. In addition, during today's call, we will reference certain non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in our earnings release. Finally, after our prepared remarks, we will answer any questions you may have. So, with that, I will turn the call over to Scott.

Scott Bender
President, CEO & Director
Ok, thanks, Steve and good morning to everyone. On our first quarter call, we told you that we expected to exceed our internal expectations in the second quarter, and I am pleased to share with you that we delivered topline sequential growth of 20%. Notably, our products business displayed impressive gains during the quarter, actually exceeding the almost 20% rate of expansion in our frac rental business. While extremely pleased at the rate at which we again converted rental capex to revenue during the period, we are at our core a provider of high-end manufactured consumable products and continue to see new customers embrace our technology. In addition, the quarter witnessed a meaningful increase in shipments of higher pressure production equipment. Although our products business line does not produce as high incrementals as our rental business, growth depends almost entirely on variable cost spends, contributing significant free cash flow with minimal risk.

Moving on to our operating results, sequential growth exceeded our expectations as I mentioned. Here are a few of the highlights. Revenues rose 20.4%; Adjusted EBITDA increased 29%; and Adjusted EBITDA margins rose from 37.1% to 39.8%. In every, respect it was a terrific quarter as all regions reported double digit growth.

I'll now turn the call over to Brian Small, our CFO, who will review our second quarter results. Following his remarks, I'll provide you with some thoughts on the outlook for the near-term before opening the lines for Q&A. Brian?

Brian Small
Chief Financial Officer
Thanks, Scott. As Scott mentioned, Q2 revenues at $138.5m were 69% higher than the equivalent period last year and 20% higher than Q1 this year. The strength of this growth was broad-based, with all of our business lines and regions delivering double-digit growth.

Product revenues at just over $73 million were 62% higher than the equivalent period in 2017 and 24% higher than Q1. Product gross profit at 38.6% was 380 basis points higher than Q2 last year and 150 basis points higher than Q1 this year. The improvement over both the last 3 and 12 months was due largely to volume and product mix, while part of the more recent increase versus Q1 is attributable to savings arising from the successful execution of our supply chain strategy.

Rental revenues at just under $35 million were just over $16 million greater than last year's second quarter and just under $5.8 million higher than Q1 this year. The increase was attributable to the increase in the capacity of our rental fleet. This is reflected in rental gross profit for Q2 at 60%, just over 900 basis points higher than the equivalent period last year and almost 200 basis points better than Q1. While our rental capex was lower than in Q1, we continued to make strategic additions to our rental fleet during the quarter to take advantage of additional demand opportunities we previously could not serve with our existing fleet.

Field service revenues in Q2 at just over $30 million were $12.5 million higher than Q2 17 and $3.3 million higher than Q1 18. The second quarter saw an increase in billable hours for our work and slightly improved rates.

SG&A at just under $9.9 million for the quarter was $2.5 million higher than Q2 17 and $700 thousand higher than Q1 18. The increases arose primarily from stock-based compensation and additional headcount costs, as we successfully recruited personnel to support our growth as well as the additional requirements associated with being a public company.

Net income came in at $41.5 million, up from $26.4 million in Q1. Our income statement reflects the net income attributable to the non-controlling interest owners and public owners of Cactus, Inc.

Second quarter Adjusted EBITDA was just over $55.1 million. This was almost double the figure for the equivalent period last year and 29% higher than Q1 of this year. Sequential incremental adjusted EBITDA for Q2 represented 53% of the incremental revenue in the period. Adjusted EBITDA for the quarter represents 39.8% of revenues, which compares to 33.8% in Q2 last year and 37.1% for Q1 this year.

Our effective tax rate for the quarter was just over 10%. The primary reason for this rate being lower than the federal rate is that the profits of the non-controlling interest are not subject to US federal tax. We estimate that the effective tax rate will increase from 10% to around 12% subsequent to the follow-on offering completed in July 2018. We estimate that adjusted earnings per share will have an effective tax rate of 24.5% similar to Q2 with the same total share count of approximately 75 million.

Our cash position increased by $20.5 million during the second quarter to $28.4 million at June 30. For the quarter, operating cash flow was $42 million, and our net capex spend was $15.7 million. Additionally, we spent $1.5 million for finance lease payments in the quarter and distributed $4.2 million for tax distributions to pre-IPO members.

Our capex for the quarter was in line with revised expectations, and we continue to believe that our capex for the full year may be closer to $60 million provided we determine that additions to our rental fleet are warranted.

That covers the financial review and I will now turn you back to Scott.

Scott Bender
President, CEO & Director
Ok thanks, Brian. Last quarter, we focused on the need for additional frac assets as rental demand drove our sequential growth. We progressed the acceleration of valve additions during this period, increasing related revenue by $5.8M while expanding our fleet by $11.5m, and we have no plans to adjust our previously disclosed capex plans.

Regarding the well-advertised Permian take-away constraints, we think it’s important to view any potential vulnerability through the lens of our business lines. The majority of our product sales arise from drilling activity. With some minor exceptions, our well-capitalized, public clients are demonstrating a commitment to build DUCs in the face of a potential slowdown in completions. Their current drilling schedules indicate the same. Remember, our clients tend to be the large, public E&Ps who utilize higher-spec rigs. We have few of the private equity backed new entrants that added rigs in the first two quarters of the year. Our products appeal more to larger customers drilling multi-well pads, not those proving acreage with single-well pads, drilling a half a dozen or so wells per year.

Furthermore, product shipments have remained strong through July, and our lag -- land rig count grew another 2% from June. The Bakken, Midcon, Rockies and EF have all added rigs or are in the process of adding rigs. We expect our rig count in the SCOOP/STACK will increase by more than 30% in Q3 and Q4. Finally, our pursuit of IOC’s has not abated.

The completions side of the business stands to be the most affected by takeaway constraints. We take some solace in the fact that of our top ten rental customers, four are Permian only. Two of these four are Majors and one is our largest customer, who has well-documented, well-documented means to market their product. The fourth, a public independent, is very well capitalized with options outside of the basin. July's results displayed no weakness in our rental business and continued strength in the Permian as we increased our market share with existing customers and remained unable to expand our customer base given the lack of available equipment.

All that being said, we're not burying our heads in the sand regarding the Permian. So, despite continued tightness in the availability of our large bore frac valves, we have not, as I mentioned, altered our CAPEX plans which reflect reduced fleet additions in the second half of this year. Having more reliable equipment is great until a customer would rather pay for NPT than pay a premium for reliable equipment. We've seen it before.

This is the reason we've been spending so much engineering time on our completions innovations. We made the decision at the beginning of the year to fortify our competitive position by adding technology to our rental business that we felt our clients would value as much as they value the features inherent in our SafeDrill wellhead systems. By the fourth quarter, we expect to have a better feel for adoption rates and associated capital requirements.

We are also taking steps to mitigate the lack of infrastructure, resources and the congestion in Odessa by relocating a significant portion of our Permian operations into a new facility in Hobbs, New Mexico where homes and apartments are far more available. We intend to be prepared when takeaway issues are resolved late next year.

Regarding Section 232 and 301 tariffs, the USTR amended the list on July 17th to include duties on the machined products we import from our Chinese supply chain. Yesterday evening, the USTR announced it was considering an increase in that tariff from 10% to 25%. It's far too early to gauge the effect of this latest proclamation, although the cost of domestic and imported steel consumed in Bossier City has already increased.

Notwithstanding the uncertainty associated with the trade negotiations, we feel like our business is well-protected from a potential disruption given our significant drilling and associated products exposure, the profile of our Permian customers and our strong market positions throughout the US. Furthermore, barring a draconian collapse, we do not expect to be overextended, and the variable cost profile of our core business, the supply of consumable products, provides flexibility in right-sizing.

So, with that, I will turn it back over to the Operator and we may begin Q&A.

Operator?

Question and Answer

Operator
(Operator Instructions) We'll take our first question from Jim Wicklund from Credit Suisse.

Scott Bender
President, CEO & Director
Good morning, Jim.

James Wicklund
Crédit Suisse

Congratulations. Just a little anticlimactic, since we had already kind of seen your pre-announce, but it's still good to see somebody beat. A question, if I could, capital allocation. Your free cash flow yield going forward is significant, and investors' biggest concern has been that in an upturn like this, managements will get stupid and buy things they shouldn't, like my wife in a jewelry store after getting a small bonus. Can you talk about what your plans are over the next couple of years? We're assuming the Permian slowdown is going to be temporary. Over the next couple of years, how much can you do? How big can this get while still maintaining your margin profile? What are the options you see out there over the next 3 years?

Scott Bender
President, CEO & Director
We're talking about, Jim, specifically you want us to address the options for capital allocation?

James Wicklund
Crédit Suisse
Yeah. Instead of asking a modeling question, I'm going to ask a 3-year strategic question.

Scott Bender
President, CEO & Director
So you know that I don't have to tell you that's a board decision, and the board has just now begun to decide on options. Clearly, we're trying to give some idea of our requirements for organic growth, and not just the organic growth in our wellhead business, but some of the implications of renewed -- or I should say a new focus on our completions business. And we'll maybe talk a little bit about that, as I expect questions will arise concerning those innovations. So in terms of M&A, we've looked at a handful of opportunities, none of which have met the criteria that I think we described earlier, and that is a differentiated product that we can market to the end users, we can leverage our supply chain to support sales and of course utilize our 15 locations. So heretofore we haven't found anything, but we're still looking. And then, of course, we're talking about the possibility of dividends. So the board is talking about all that, and, frankly, I expect that over the next 2 quarters, I'll have a little bit more information in that regard, but I'm going to tell you the same thing I said before we've been public for a very short period of time. We've been -- we've had an attractive balance sheet only since February, so we really haven't had a whole lot of focus on M&A. Our priority would clearly be organic growth. And I would -- if I had to place these in hierarchy, I'd say organic growth first, I'd say M&A second, and, of course, we don't really have any interest in accumulating cash on our balance sheet.

James Wicklund
Crédit Suisse
Okay. I don't know if it's just me, guys, but you all have been breaking up throughout this entire conference call on my end. Every couple of seconds, there's been an interruption. My follow-up, if I could, organic -- you alluded to your new product that you're going to unveil and try and commercialize later this year. Can you talk a little bit about what that is?

Scott Bender
President, CEO & Director
Yes. I'll let Steven maybe speak to that a little bit.

Steven Bender
VP of Operations
Sure. Good morning, Jim. Obviously, we're hesitant on providing too much detail on the 4 innovations for competitive reasons, but what I would say is 2 of the technologies that we're introducing supplant the existing equipment that you find on frac sites that heretofore have caused ample nonproductive time and safety concerns. The other 2 products are completely new offerings that aim to reduce NPT and human intervention and specifically the time between pumping stages. So we've manufactured 2 prototypes so far that we're testing in Bossier City. Our aim is going to be to field trial those in the next 30 to 60 days. If all 4 products were deployed on a 3 to 4-well pad, the capital costs would roughly be an increase of about $500,000, and, additionally, we're prepared to offer these products on pads that have competitors'

equipment, so it doesn't necessarily have to have our frac stacks or zipper manifold. So I think you're very safe in assuming that we're not going to sacrifice our approximate 10-month payback in pricing these offerings, and, in fact, we've already received customer support at a commercial level at those pricing levels.

James Wicklund
Crédit Suisse
Wow. Okay, that's a nice tease. Congratulations, and good luck. Thanks, guys.

Operator
We will now take our next question from Scott Gruber from Citigroup.

Scott Gruber
Citigroup
A number of E&Ps this earnings season have been discussing frac efficiency gains. Are you guys seeing gains with frac efficiency from the perspective of your rental business you know what is the risk to rental growth? It's obviously not showing up in the numbers today, but is there any risk that the job is getting done materially faster such that the hours deployed within your rental fleet deteriorates going forward?

Scott Bender
President, CEO & Director
We really didn't look at it this quarter, but, I mean, I haven't seen anything at all that would lead me to believe that our time on location has reduced. We are seeing larger pads, and we are -- frankly, if July is any indication, our rental business has continued to expand. I don't think I can provide an educated response. Whatever it is, it hasn't been material to our business.

Scott Gruber
Citigroup
That's good to hear. And then if you could provide some color -- we saw in the release the market share within wellheads about 26% during the quarter, pretty flat from the first quarter. Can you just provide color on that stat? The 2Q rig count was, obviously, up more than expected at the beginning of the year, so is it as simple as that? Are there other factors at play? And what's the outlook for additional share gains in the second half of the year within wellhead?

Scott Bender
President, CEO & Director
I mean, I think that's a good point. First, I'm always hesitant to talk about market share on a period to-period basis, because in July, for example, our market share went back up over 27%, but in August, again, we could see a change in that. The primary reason that you see during the first part of this year that our market share growth has slowed has been because of the private E&Ps, the private equity-backed E&Ps. We're just not very attractive to those folks. More important I think is to look at how our product per rig per month has progressed from Q1 to Q2. I think that's probably more reflective of the quality of the rigs that we take care of and the pad sizes, and that's grown considerably from Q1 to Q2. So I'm much more focused on that, frankly, than I am on the absolute number of rigs, and not all operators are going to appreciate value proposition.

Scott Gruber
Citigroup
Thanks a lot, thanks for the color.

Operator
Our next question comes from David Anderson from Barclays.

David Anderson
Barclays

So the audio is kind of going in and out. I wasn't able to hear Wicklund's little joke about his wife's spending pattern, so I'll have to hear about that one a little bit later. Can you just refresh, I'm not sure if I heard what you said on the rental CapEx numbers. I mean, are you still planning the same growth CapEx, and can you just kind of talk about what your plans are in terms of kind of going forward the next 12 months there?

Scott Bender
President, CEO & Director
Well, in terms of rental CapEx, let me first speak to that, and then we'll speak about non-rental CapEx. So, I think we told you before that we had intended to bring forward our rental associated CapEx, and so, in point of fact, we brought about 60% of it into the first 2 quarters. If we continue to turn down work, we'll spend another $15 million or so between -- in Q3 and Q4 -- so, again, that's a deacceleration of our fleet additions, and we haven't changed that. It certainly won't go up in as much as we're concerned about the Permian takeaways. For next year -- and then let me now speak to maybe some of the non-rental CapEx. Really, 2 significant CapEx spends this year. One is the Bossier City expansion that we discussed before, which is about $5 million, and then we had an opportunity to pick up in Hobbs, New Mexico, a ready-to-go facility, about 40,000 square feet. That's about $4.5 million we're going to spend. We were going to have to build something, so this will allow us to at least avoid that, but, more importantly, it'll allow us to more immediately move some of these resources out of the Midland-Odessa area into Hobbs, where we think we'll be able to provide better quality of life for our associates. So those are really the 2 main non-rental CapEx spends. Roofline is not anticipated for 2019, so I wouldn't -- at this particular point, I wouldn't see any or not a considerable amount or significant amount of CapEx spent on Roofline expansion. In terms of frac valves, we really are going to wait and see how this Permian takeaway begins to transpire. The unknown for us -- and we'll provide much more color, I hope, in the coming quarter, is how much we're going to spend on these new innovations. So, I know it's not helpful for you for 2019, but I think, broadly speaking, I can tell you that we will not see the same level of frac valve additions, and I just can't quantify right now how much of that will be replaced by these new innovations.

David Anderson
Barclays
And I want to go back to the non-rental CapEx. Can you just give us a bit of the lay of the land on the frac tree rental business out there? How fragmented is the business out there? Is it half the market is very fragmented? I'm just curious as to how you view it kind of from a top-down perspective. And kind of to follow up on that, is there any thought towards acquiring any of these smaller players, or does the fact that your payback is less than a year -- does that not make any sense?

Scott Bender
President, CEO & Director
Okay, so that's a really good question. The problem that we have with trying to acquire a frac -- and it's very fragmented, so I'd say that -- just guess that a good 70% of it is highly fragmented, which would seem to be ripe for an acquisition. The problem is we market our frac equipment to our customers as being different from the frac equipment they rent from anyone else, particularly those below the top 3 players. So for us then to acquire rental assets that are technically inferior makes it a very difficult proposition for our sales team, and, frankly, we're just not interested in doing that. So it's just not – it wouldn't be consistent with the company's culture.

David Anderson
Barclays
That makes sense. Just one last little thought. You had talked about the tariff issue on how that impacts your Chinese -- I think right now you're about 60% of your products are coming out of China. Can you talk about -- I mean, ultimately, how much can Bossier City -- with the expansions that you're doing there, how much of that can it take from China if you have to go that direction?

Scott Bender
President, CEO & Director

Well, obviously, we think about that all the time. Bossier is -- we don't ever want Bossier to take that much, because, tariffs or no tariffs, Bossier City is going to be more expensive. Keep in mind that 232 tariffs on steel have already increased our costs in Bossier, so we're already seeing higher costs in Bossier notwithstanding Section 301. In terms of 301, the problem that -- the issue is so difficult right now to quantify, notwithstanding all the uncertainty of items that are being added, deleted and the rates, is you know the Chinese currency is weakened by about 6%. I expect that's going to continue to weaken as the rhetoric continues. So that's an unknown. I also think that the Chinese suppliers -- in fact, we know -- the Chinese suppliers are going to begin to tighten their belt and reduce pricing in an effort to maintain their market share. And then, of course, there's really not a whole lot of capacity elsewhere in the world, so it's not just the U.S. So, there are 3 of us that really have substantial U.S. manufacturing capacity, but it's still insignificant in terms of the amount of product that's being consumed in the U.S. So, what I really suspect is going to happen is the countries that are not covered by 301 will probably respond the way the U.S. steel manufacturers responded to 232. Rather than hold prices to get market share, what did they do? They raised their prices. So, I suspect that you're going to see the other players in the world, none of whom can approach the Chinese in terms of capacity, but I think that those players will as well raise their prices. So, it's a very fluid situation right now.

David Anderson
Barclays
Sure sounds that way. Thank you very much for the answer.

Operator
Our next question comes from Byron Pope from Tudor, Pickering.

Byron Pope
Tudor, Pickering, Holt & Co.
Good morning. I just have 1 question. Scott, on the product side, it seems as though you guys are particularly well positioned for programs where E&P operators are running 4-string casing lines. Could you just comment on trends you're seeing there? It seems as though that seems to be the well design at least in the Delaware, but, more broadly, could you just speak to trends that you're seeing with regard to which basins or plays might be running 4-strings?

Scott Bender
President, CEO & Director
You know, Byron, it's still basically the Delaware where we're seeing 4-string systems. That really hasn't changed. We're not seeing a whole lot of 4-string systems elsewhere. Now, something that we didn't discuss is – but we have before. The 1 basin where we have been historically under-represented has been East Texas, the Haynesville, and so we have swung our attention to that area, and we've introduced a product that is completely different casing design, as you know, than the Mid-Con, South Texas, Permian, Bakken -- everywhere else, the Marcellus, where we operate. So, we've been shipping product. It's higher pressure. It's still multi-string, different diameter, using the same sort of features that our 3T and 4T systems utilize, but, as I say, higher pressure, higher trim levels. So, interestingly enough, we're finally beginning to pick up some market share in the Haynesville.

Operator
Our final question comes from Kurt Hallead from RBC.

Kurt Hallead
RBC Capital Markets
Good morning.

Scott Bender
President, CEO & Director
Good morning, Kurt, how are you doing?

Kurt Hallead

RBC Capital Markets
Doing well. Thank you. Appreciate it. So I was kind of curious, as to your views on the dynamic of pursuing the IOCs in the U.S. market. I was wondering if you could give us some general feedback on what you've been hearing, if there's been any hesitation or otherwise what you expect from opportunity to kind of pick up some business with the IOCs as 2018 progresses.

Scott Bender
President, CEO & Director
Well, I purposely said in the narrative that our efforts hadn't abated, so they haven't, and I know you're not going to like this, but we're making progress. I know you want to know with whom, when and how much, and I'm not going to be able to tell you that, but it does provide some pretty good upside to our business.

Kurt Hallead
RBC Capital Markets
Okay. Sorry, I didn't mean to interrupt.

Scott Bender
President, CEO & Director
And the hesitation -- we've talked about it before. The IOCs are extremely risk-averse, so -- and I hope none of my IOC customers are listening, but as long as what they have is working, they're not as enthusiastic about something new on the prospect of saving 20 or 30 hours, because what they have is working. It's much different in the frac business, because what they've been using in the frac business wasn't working, and they needed to find a solution, so they are much more receptive to change. That's the difference, and that's the reason it takes so much longer in the wellhead side of the business, where you know we clearly have a highly-differentiated product. I know it's counterintuitive, but those are the facts.

Kurt Hallead
RBC Capital Markets
OK, got it. And as you talked about not sticking your head in the sand with respect to the prospect for completion activity to maybe slow down and the impact it might have on the frac rental business, at the same time, you've discussed, as you've been recently a public company, the opportunity to see new market share in that side of the business as well, so to kind of balance the risk with the opportunity to improve your market share... Do you think the prospect is you'll be able to mitigate that risk completely, offset that risk, or, irrespective of what your market share gain opportunities are, you're just not going to be able to overcome the potential momentum?

Scott Bender
President, CEO & Director
Well, here's -- I guess our concern is that we still have lots of room with our existing frac customers, so we're still not providing all the frac stacks, particularly to the large customers we have, that we could be providing frac stacks to, so we know that that provides us some large degree of comfort in terms of potential takeaway issues. But what I know after all these years in the business, is that when things slow down, ultimately in the more fungible type products, you can expect to see players come in and cut prices. Now, we like to think that our products are differentiated enough. We like to think that they reduce NPT enough. But, more importantly, these innovations that we're about to introduce we feel like will build the same sort of moat around that business line that we built around our SafeDrill system. So, I'm relaxed, and I'm relaxed because we're not going to get over-extended. I'm relaxed because the customers that we have now want more of what we have, and I'm also relaxed because I don't think the takeaway issues will last much beyond next year. So, yes, I'm worried about it, if not, we could clearly bring in more frac equipment for the rest of the year than we brought in the first 2 quarters. We're just not going to do it.

Operator
We now have a follow-up question from Sean Meakim from JP Morgan.

Sean Christopher Meakim
JP Morgan Chase & Co.

On the new product introductions, could you give us a little bit of historical context of how adoption cycles have looked in the past for you when you put in more innovative products? And just how does that frame your thoughts around what that cycle could look like with some of the products coming on late this year or next?

Scott Bender
President, CEO & Director
Sean, I need you to wait until the fourth quarter, because this is -- in terms of wellhead, it's much easier for me to answer. The adoption cycle has been faster than our ability to produce. So, the latest – our latest major wellhead innovation, was pretty much fully adopted across all basins within 12 months, so it's really as fast as our supply chain can respond. The completion I'm probably a little bit more hesitant, just because I'm thinking about this through the lens of Permian issues, and it's just not as clear-cut. But I would expect that a year timeframe would probably be reasonable, and that really is dependent upon our supply chain.

Sean Meakim
JP Morgan Chase & Co.
That's helpful feedback. Thinking about you were able to take so much share during the downturn, at a point in time when activity was, actually, quite low, and, to some degree, you were able to really kind of get the attention of the customer base. Does that give you any confidence that perhaps a slowdown in the Permian or seeing the growth rate deaccelerating a little bit could be beneficial, or is that maybe trying to pull in -- make too strong of an analogy there? Just thinking about, perhaps, is it harder to drive new product adoption when things are going full steam ahead and customers are trying to get work done as fast as they can?

Scott Bender
President, CEO & Director
I don't think you're going to see nearly the same dynamic as you saw in '15 and '16, when customers had to survive and they were looking for anything at all that would increase their efficiency and reduce their drilling costs. I don't think that what we're about to see, and I can't say, none of us knows the impact because of these takeaways, we'll provide the same sort of incentive for that sort of reaction. These products, though, in good times or bad times, are absolutely going to reduce non-productive time and reduce time between stages, and so the safety aspect may become more or less important, but the savings are going to be just as real as the savings we've seen in our wellhead business, and that really has been the key to our success.

Sean Meakim
JP Morgan Chase & Co.
Absolutely. Okay. Thank you. I appreciate it.

Stephen Tadlock
VP & Chief Administrative Officer
All right. Well, we apologize for the line quality issues and will address them before the next call, and we look forward to meeting investors at the Barclays conference in September.

Scott Bender
President, CEO & Director
Thanks, everybody.

Operator
That will conclude today's call. Thank you for participating, ladies and gentlemen. You may now disconnect.