

RPC INC
Form 10-Q
May 02, 2012

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 March 31, 2012

Commission File No. 1-8726

RPC, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

58-1550825
(I.R.S. Employer
Identification Number)

2801 Buford Highway, Suite 520, Atlanta, Georgia 30329
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code -- (404) 321-2140

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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting
company

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 April 20, 2012, RPC, Inc. had 219,492,553 shares of common stock outstanding.

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RPC, INC. AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2012 AND DECEMBER 31, 2011
(In thousands)
(Unaudited)

	March 31, 2012	December 31, 2011 (Note 1)
ASSETS		
Cash and cash equivalents	\$5,734	\$7,393
Accounts receivable, net	425,766	461,272
Inventories	111,813	100,438
Deferred income taxes	10,035	7,183
Income taxes receivable	561	10,805
Prepaid expenses	7,325	8,478
Other current assets	30,393	30,986
Total current assets	591,627	626,555
Property, plant and equipment, net	736,888	675,360
Goodwill	24,093	24,093
Other assets	16,399	12,203
Total assets	\$1,369,007	\$1,338,211
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$132,383	\$122,987
Accrued payroll and related expenses	26,751	33,680
Accrued insurance expenses	6,138	5,744
Accrued state, local and other taxes	5,701	5,066
Income taxes payable	35,403	10,705
Other accrued expenses	384	1,284
Total current liabilities	206,760	179,466
Long-term accrued insurance expenses	9,254	9,000
Notes payable to banks	180,800	203,300
Long-term pension liabilities	22,418	24,445
Other long-term liabilities	1,938	3,480
Deferred income taxes	147,439	155,928
Total liabilities	568,609	575,619
Common stock	21,949	22,119
Retained earnings	790,893	753,119
Accumulated other comprehensive loss	(12,444)	(12,646)
Total stockholders' equity	800,398	762,592
Total liabilities and stockholders' equity	\$1,369,007	\$1,338,211

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In thousands except per share data)
(Unaudited)

	Three months ended March 31,	
	2012	2011
Revenues	\$502,557	\$381,761
Cost of revenues	273,799	201,252
Selling, general and administrative expenses	44,927	36,057
Depreciation and amortization	51,570	39,537
Loss (gain) on disposition of assets, net	1,404	(1,411)
Operating profit	130,857	106,326
Interest expense	(596)	(1,079)
Interest income	5	4
Other income, net	920	334
Income before income taxes	131,186	105,585
Income tax provision	50,431	40,061
Net income	\$80,755	\$65,524
Earnings per share		
Basic	\$0.37	\$0.30
Diluted	\$0.37	\$0.30
Dividends per share	\$0.08	\$0.05
Average shares outstanding		
Basic	215,620	217,522
Diluted	217,350	220,544

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In thousands except per share data)
(Unaudited)

	Three months ended March 31,	
	2012	2011
Net income	\$80,755	\$65,524
Other comprehensive income, net of taxes:		
Pension adjustment	106	74
Cash flow hedge, net	—	132
Foreign currency translation	101	103
Unrealized gain(loss) on securities and reclassification adjustments	(5) 20
Comprehensive income	\$80,957	\$65,853

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2012

(In thousands)

(Unaudited)

	Common Stock		Capital in Excess of Par	Accumulated Other Retained Comprehensive		Total
	Shares	Amount	Value	Earnings	Loss	
Balance, December 31, 2011	221,188	\$22,119	\$—	\$753,119	(\$ 12,646)	\$762,592
Stock issued for stock incentive plans, net	800	80	1,966	—	—	2,046
Stock purchased and retired	(1,932)	(193)	(4,090)	(25,410)	—	(29,693)
Net income	—	—	—	80,755	—	80,755
Pension adjustment, net of taxes	—	—	—	—	106	106
Foreign currency translation, net of taxes	—	—	—	—	101	101
Unrealized loss on securities, net of taxes	—	—	—	—	(5)	(5)
Dividends declared	—	—	—	(17,571)	—	(17,571)
Excess tax benefits for share-based payments	—	—	2,067	—	—	2,067
Three-for-two stock split	(563)	(57)	57	—	—	—
Balance, March 31, 2012	219,493	\$21,949	\$—	\$790,893	(\$ 12,444)	\$800,398

The accompanying notes are an integral part of this consolidated financial statement.

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2012	2011
OPERATING ACTIVITIES		
Net income	\$80,755	\$65,524
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation, amortization and other non-cash charges	51,605	39,249
Stock-based compensation expense	1,901	2,215
Loss (gain) on disposition of assets, net	1,404	(1,411)
Deferred income tax benefit	(11,290)	(2,210)
Excess tax benefits for share-based payments	(2,067)	(2,278)
(Increase) decrease in assets:		
Accounts receivable	35,600	(62,909)
Income taxes receivable	12,311	18,793
Inventories	(11,291)	(7,218)
Prepaid expenses	1,153	1,090
Other current assets	578	(1,993)
Other non-current assets	(4,197)	(157)
Increase (decrease) in liabilities:		
Accounts payable	12,583	15,438
Income taxes payable	24,698	20,509
Accrued payroll and related expenses	(6,929)	(882)
Accrued insurance expenses	394	783
Accrued state, local and other taxes	635	1,671
Other accrued expenses	(908)	(69)
Pension liabilities	(2,027)	417
Accrued insurance expenses	254	(193)
Other non-current liabilities	(1,542)	(737)
Net cash provided by operating activities	183,620	85,632
INVESTING ACTIVITIES		
Capital expenditures	(121,408)	(92,318)
Proceeds from sale of assets	3,680	6,030
Net cash used for investing activities	(117,728)	(86,288)
FINANCING ACTIVITIES		
Payment of dividends	(17,571)	(10,354)
Borrowings from notes payable to banks	282,100	190,300
Repayments of notes payable to banks	(304,600)	(161,750)
Excess tax benefits for share-based payments	2,067	2,278
Cash paid for common stock purchased and retired	(29,675)	(17,499)
Proceeds received upon exercise of stock options	128	324

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Net cash (used for) provided by financing activities	(67,551)	3,299
Net (decrease) increase in cash and cash equivalents	(1,659)	2,643
Cash and cash equivalents at beginning of period	7,393	9,035
Cash and cash equivalents at end of period	\$5,734	\$11,678
Supplemental Information:		
Interest paid, net	\$678	\$1,200
Income taxes paid, net	\$24,879	\$2,826
Change in accounts payable for capital expenditures	\$(3,190)	\$3,519

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

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited consolidated financial statements include the accounts of RPC, Inc. and its wholly-owned subsidiaries (“RPC” or the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, “Consolidation” and Rule 3A-02(a) of Regulation S-X. In accordance with ASC Topic 810 and Rule 3A-02 (a) of Regulation S-X, the Company’s policy is to consolidate all subsidiaries and investees where it has voting control.

In the opinion of management, all adjustments (all of which consisted of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

On January 24, 2012 at its quarterly meeting, the Board of Directors authorized a three-for-two stock split by issuance on March 9, 2012 of one additional common share for every two common shares held of record as of February 10, 2012. Accordingly, the par value of additional shares issued was adjusted between common stock and capital in excess of par value, and fractional shares resulting from the stock split were settled in cash. All share and per share data on the historical (actual) basis presented in the interim financial statements have been retroactively adjusted for the stock split.

The balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2011.

A group that includes the Company’s Chairman of the Board, R. Randall Rollins and his brother Gary W. Rollins, who is also a director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company’s voting power.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. REVENUES

RPC's revenues are generated principally from providing services and the related equipment. Revenues are recognized when the services are rendered and collectability is reasonably assured. Revenues from services and equipment are based on fixed or determinable priced purchase orders or contracts with the customer and do not include the right of return. Rates for services and equipment are priced on a per day, per unit of measure, per man hour or similar basis. Sales tax charged to customers is presented on a net basis within the consolidated statement of operations and excluded from revenues.

3. RECENT ACCOUNTING PRONOUNCEMENTS

During 2012, the Financial Accounting Standards Board (FASB) issued the following Accounting Standards Updates (ASU):

Recently Adopted Accounting Pronouncement:

Accounting Standards Update 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. The amendments to the Codification in this ASU defer the presentation of reclassification adjustments out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. This ASU supersedes certain presentation requirements in ASU No. 2011-05, Comprehensive Income, discussed below, so that entities will not be required to comply with the presentation requirements in ASU No. 2011-05 that ASU No. 2011-12 is deferring. While the presentation requirements are being re-deliberated, entities are required to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU No. 2011-05. The amendments to this ASU are effective at the same time as the amendments in ASU No. 2011-05. The Company adopted these provisions in the first quarter of 2012 and is reporting reclassification adjustments with presentation requirements in effect before ASU 2011-05. Adoption of these provisions did not have a material impact on the Company's consolidated financial statements.

ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The amendments to the Codification in this ASU allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments are to be applied retrospectively and are effective for fiscal years beginning after December 15, 2011. The Company has adopted these provisions in the first quarter of 2012 and has presented a separate statement of comprehensive income consecutively after the statement showing net income in the accompanying financial statements. Adoption of these provisions did not have a material impact on the Company's consolidated financial statements.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Pronouncements Not Yet Adopted:

Accounting Standards Update 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments to the Codification in this ASU are part of an ongoing effort to bring congruence between U.S. GAAP and International Financial Reporting Standards. The amendments in this ASU require an entity to disclose information about derivatives that are subject to a legally enforceable netting arrangement with the same party where rights of set-off are only available in the event of default or bankruptcy and can be presented as a single net amount in the statement of financial position. The amendments in this ASU are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods, with the required disclosures being provided retrospectively for all comparative periods presented. The Company is currently evaluating the impact of adoption of these provisions in the first quarter of 2013.

4. EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods. The basic and diluted calculations differ as a result of the dilutive effect of stock options and time lapse restricted shares included in diluted earnings per share, but excluded from basic earnings per share. In addition, the Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and are therefore considered participating securities.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of weighted average shares outstanding along with the earnings per share attributable to restricted shares of common stock (participating securities) is as follows:

(In thousands except per share data)	Three months ended March 31,	
	2012	2011
Net income available for stockholders:	\$ 80,755	\$ 65,524
Less: Dividends paid		
Common stock	(17,245)	(10,171)
Restricted shares of common stock	(326)	(183)
Undistributed earnings	\$ 63,184	\$ 55,170
Allocation of undistributed earnings:		
Common stock	\$ 61,864	\$ 54,012
Restricted shares of common stock	1,320	1,158
Basic shares outstanding:		
Common stock	211,079	212,912
Restricted shares of common stock	4,541	4,610
	215,620	217,522
Diluted shares outstanding:		
Common stock	211,079	212,912
Dilutive effect of options	1,730	3,022
	212,809	215,934
Restricted shares of common stock	4,541	4,610
	217,350	220,544
Basic earnings per share:		
Common stock:		
Distributed earnings	\$ 0.08	\$ 0.05
Undistributed earnings	0.29	0.25
	\$ 0.37	\$ 0.30
Restricted shares of common stock:		
Distributed earnings	\$ 0.07	\$ 0.04
Undistributed earnings	0.29	0.25
	\$ 0.36	\$ 0.29
Diluted earnings per share:		
Common Stock:		