

NABORS INDUSTRIES LTD
Form 10-Q
August 03, 2016
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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 June 30, 2016

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of incorporation or organization)

98-0363970
(I.R.S. Employer Identification No.)

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

Bermuda

(441) 292-1510

(Address of principal executive office)

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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 the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-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

The number of common shares, par value \$.001 per share, outstanding as of August 1, 2016 was 283,378,309, excluding 49,672,636 common shares held by our subsidiaries, or 333,050,945 in the aggregate.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2016	December 31, 2015
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 233,752	\$ 254,530
Short-term investments	22,104	20,059
Assets held for sale	86,608	75,678
Accounts receivable, net	504,099	784,671
Inventory	151,753	153,824
Other current assets	192,927	187,135
Total current assets	1,191,243	1,475,897
Property, plant and equipment, net	6,765,257	7,027,802
Goodwill	167,275	166,659
Investment in unconsolidated affiliates	888	415,177
Other long-term assets	531,642	452,305
Total assets	\$ 8,656,305	\$ 9,537,840
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	\$ 175	\$ 6,508
Trade accounts payable	199,619	271,984
Accrued liabilities	650,019	686,613
Income taxes payable	18,362	41,394
Total current liabilities	868,175	1,006,499
Long-term debt	3,503,172	3,655,200
Other long-term liabilities	518,035	552,947
Deferred income taxes	44,225	29,326
Total liabilities	4,933,607	5,243,972
Commitments and contingencies (Note 7)		
Equity:		
Shareholders' equity:		
Common shares, par value \$0.001 per share:		
Authorized common shares 800,000; issued 333,054 and 330,526, respectively	333	331
Capital in excess of par value	2,505,451	2,493,100
Accumulated other comprehensive income (loss)	(8,250)	(47,593)
Retained earnings	2,514,265	3,131,134
Less: treasury shares, at cost, 49,673 and 49,342 common shares, respectively	(1,295,949)	(1,294,262)

Total shareholders' equity	3,715,850	4,282,710
Noncontrolling interest	6,848	11,158
Total equity	3,722,698	4,293,868
Total liabilities and equity	\$ 8,656,305	\$ 9,537,840

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Revenues and other income:				
Operating revenues	\$ 571,591	\$ 863,305	\$ 1,169,162	\$ 2,278,012
Earnings (losses) from unconsolidated affiliates	(54,769)	(1,116)	(221,920)	5,386
Investment income (loss)	270	1,181	613	2,150
Total revenues and other income	517,092	863,370	947,855	2,285,548
Costs and other deductions:				
Direct costs	341,279	488,522	706,302	1,408,132
General and administrative expenses	56,624	75,810	118,958	191,240
Research and engineering	8,180	10,480	16,342	22,183
Depreciation and amortization	218,913	218,196	434,731	499,215
Interest expense	45,237	44,469	90,967	91,070
Other, net	74,607	1,338	257,011	(54,504)
Total costs and other deductions	744,840	838,815	1,624,311	2,157,336
Income (loss) from continuing operations before income taxes	(227,748)	24,555	(676,456)	128,212
Income tax expense (benefit):				
Current	15,898	(14,402)	30,723	32,947
Deferred	(57,081)	80,847	(123,970)	12,793
Total income tax expense (benefit)	(41,183)	66,445	(93,247)	45,740
Income (loss) from continuing operations, net of tax	(186,565)	(41,890)	(583,209)	82,472
Income (loss) from discontinued operations, net of tax	(984)	5,025	(1,910)	4,208
Net income (loss)	(187,549)	(36,865)	(585,119)	86,680
Less: Net (income) loss attributable to noncontrolling interest	2,899	44	2,175	133
Net income (loss) attributable to Nabors	\$ (184,650)	\$ (36,821)	\$ (582,944)	\$ 86,813
Earnings (losses) per share:				
Basic from continuing operations	\$ (0.65)	\$ (0.14)	\$ (2.06)	\$ 0.28
Basic from discontinued operations	—	0.01	(0.01)	0.02
Total Basic	\$ (0.65)	\$ (0.13)	\$ (2.07)	\$ 0.30
Diluted from continuing operations	\$ (0.65)	\$ (0.14)	\$ (2.06)	\$ 0.28
Diluted from discontinued operations	—	0.01	(0.01)	0.02
Total Diluted	\$ (0.65)	\$ (0.13)	\$ (2.07)	\$ 0.30
Weighted-average number of common shares outstanding:				

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Basic	276,550	286,085	276,201	285,723
Diluted	276,550	286,085	276,201	286,701

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Net income (loss) attributable to Nabors	\$ (184,650)	\$ (36,821)	\$ (582,944)	\$ 86,813
Other comprehensive income (loss), before tax:				
Translation adjustment attributable to Nabors				
Unrealized gain (loss) on translation adjustment	3,458	12,273	36,820	(56,266)
Less: reclassification adjustment for realized loss on translation adjustment	—	—	—	5,365
Translation adjustment attributable to Nabors	3,458	12,273	36,820	(50,901)
Unrealized gains (losses) on marketable securities:				
Unrealized gains (losses) on marketable securities	1,280	(2,153)	2,049	(2,000)
Less: reclassification adjustment for (gains) losses included in net income (loss)	—	—	—	—
Unrealized gains (losses) on marketable securities	1,280	(2,153)	2,049	(2,000)
Pension liability amortization and adjustment	294	276	468	552
Unrealized gains (losses) and amortization on cash flow hedges	153	153	306	306
Other comprehensive income (loss), before tax	5,185	10,549	39,643	(52,043)
Income tax expense (benefit) related to items of other comprehensive income (loss)	171	161	300	323
Other comprehensive income (loss), net of tax	5,014	10,388	39,343	(52,366)
Comprehensive income (loss) attributable to Nabors	(179,636)	(26,433)	(543,601)	34,447
Net income (loss) attributable to noncontrolling interest	(2,899)	(44)	(2,175)	(133)
Translation adjustment attributable to noncontrolling interest	42	162	461	(718)
Comprehensive income (loss) attributable to noncontrolling interest	(2,857)	118	(1,714)	(851)
Comprehensive income (loss)	\$ (182,493)	\$ (26,315)	\$ (545,315)	\$ 33,596

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ (585,119)	\$ 86,680
Adjustments to net income (loss):		
Depreciation and amortization	436,164	501,085
Deferred income tax expense (benefit)	(124,721)	5,039
Impairments and other charges	26,246	—
Losses (gains) on debt buyback	(6,027)	—
Losses (gains) on long-lived assets, net	7,735	2,725
Impairments on equity method holdings	216,242	—
Losses (gains) on merger and acquisitions	—	(54,882)
Share-based compensation	16,596	30,102
Foreign currency transaction losses (gains), net	7,018	(548)
Equity in losses of unconsolidated affiliates, net of dividends	221,920	3,809
Other	6,174	4,815
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	255,945	449,062
Inventory	5,222	7,763
Other current assets	(6,609)	148,563
Other long-term assets	33,234	255,845
Trade accounts payable and accrued liabilities	(103,864)	(633,640)
Income taxes payable	(27,387)	(29,212)
Other long-term liabilities	(42,097)	(259,802)
Net cash provided by operating activities	336,672	