Helmerich & Payne, Inc.
Form 10-Q
August 04, 2017
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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 quarterly period ended: June 30, 2017

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: 1-4221

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

Delaware	73-0679879
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. Number)

1437 South Boulder Avenue, Tulsa, Oklahoma, 74119

(Address of principal executive office)(Zip Code)

(918) 742-5531

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,

if changed since last report)

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, 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 (Do not check if a smaller reporting company)	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

CLASS	OUTSTANDING AT July 31, 2017
Common Stock, $0.10 par value	108,581,547

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(in thousands, except share and per share amounts)

ITEM 1. FINANCIAL STATEMENTS

	June 30, 2017	September 30, 2016
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 572,787	$ 905,561
Short-term investments	39,894	44,148
Accounts receivable, less reserve of $6,352 in June 30, 2017 and $2,696 in September 30, 2016	440,872	375,169
Inventories	138,403	124,325
Prepaid expenses and other	58,425	78,067
Assets held for sale	—	45,352
Current assets of discontinued operations	7	64
Total current assets	1,250,388	1,572,686
NONCURRENT ASSETS:		
Investments	76,986	84,955
Property, plant and equipment, at cost:	5,062,914	5,144,733
Goodwill	51,967	4,718
Intangible assets, net of amortization	51,569	919
Other assets	20,067	24,008
Total noncurrent assets	5,263,503	5,259,333
TOTAL ASSETS	$ 6,513,891	$ 6,832,019
Liabilities and Shareholders’ Equity		
CURRENT LIABILITIES:		
Accounts payable	$ 137,206	$ 95,422
Accrued liabilities	196,643	234,639
Current liabilities of discontinued operations	80	59
Total current liabilities	333,929	330,120
NONCURRENT LIABILITIES:		
Long-term debt less unamortized discount and debt issuance costs	492,637	491,847
Deferred income taxes	1,325,250	1,342,456

Other	108,946	102,781
Noncurrent liabilities of discontinued operations	3,225	3,890
Total noncurrent liabilities	1,930,058	1,940,974
SHAREHOLDERS' EQUITY:		
Common stock, $.10 par value, 160,000,000 shares authorized, 111,897,106 shares and 111,400,339 shares issued as of June 30, 2017 and September 30, 2016 respectively and 108,581,547 shares and 108,077,916 shares outstanding as of June 30, 2017 and September 30, 2016 respectively	11,190	11,140
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	478,231	448,452
Retained earnings	3,954,705	4,289,807
Accumulated other comprehensive income (loss)	(4,101)	(204)
	4,440,025	4,749,195
Treasury stock, at cost	(190,121)	(188,270)
Total shareholders' equity	4,249,904	4,560,925
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,513,891	$ 6,832,019

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues				
Drilling - U.S. Land	$ 405,516	$ 285,028	$ 1,000,119	$ 1,004,116
Drilling - Offshore	33,711	30,492	103,758	106,697
Drilling - International Land	55,075	47,983	157,863	171,529
Other	4,262	2,983	10,697	10,182
	498,564	366,486	1,272,437	1,292,524
Operating costs and expenses				
Operating costs, excluding depreciation	337,463	186,146	881,971	684,401
Depreciation	145,043	138,690	431,667	422,336
Asset impairment charge	—	6,250	—	6,250
Research and development	3,058	2,707	8,585	7,941
General and administrative	42,890	46,496	110,671	112,381
Income from asset sales	(1,862)	(547)	(17,593)	(7,820)
	526,592	379,742	1,415,301	1,225,489
Operating income (loss) from continuing operations	(28,028)	(13,256)	(142,864)	67,035
Other income (expense)				
Interest and dividend income	1,700	778	4,028	2,310
Interest expense	(6,364)	(6,407)	(17,503)	(16,652)
Other	(911)	534	(350)	926
	(5,575)	(5,095)	(13,825)	(13,416)
Income (loss) from continuing operations before income taxes	(33,603)	(18,351)	(156,689)	53,619
Income tax provision	(10,478)	2,842	(50,537)	33,740
Income (loss) from continuing operations	(23,125)	(21,193)	(106,152)	19,879
Income (loss) from discontinued operations before income taxes	3,223	2,193	2,705	2,241
Income tax provision	1,897	2,200	2,233	6,113
Income (loss) from discontinued operations	1,326	(7)	472	(3,872)
NET INCOME (LOSS)	$ (21,799)	$ (21,200)	$ (105,680)	$ 16,007
Basic earnings per common share:				
Income (loss) from continuing operations	$ (0.22)	$ (0.20)	$ (0.99)	$ 0.18
Income (loss) from discontinued operations	$ 0.01	$ —	$ —	$ (0.04)
Net income (loss)	$ (0.21)	$ (0.20)	$ (0.99)	$ 0.14

Diluted earnings per common share:				
Income (loss) from continuing operations	$ (0.22)	$ (0.20)	$ (0.99)	$ 0.17
Income (loss) from discontinued operations	$ 0.01	$ —	$ —	$ (0.04)
Net income (loss)	$ (0.21)	$ (0.20)	$ (0.99)	$ 0.13
Weighted average shares outstanding (in thousands):				
Basic	108,572	108,047	108,470	107,970
Diluted	108,572	108,047	108,470	108,523
Dividends declared per common share	$ 0.7000	$ 0.7000	$ 2.1000	$ 2.0750

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$ (21,799)	$ (21,200)	$ (105,680)	$ 16,007
Other comprehensive income (loss), net of income taxes:				
Unrealized appreciation (depreciation) on securities, net of income taxes of ($4.4) million and ($3.2) million at June 30, 2017, and $6.1 million and ($1.7) million at June 30, 2016	(6,899)	9,744	(4,994)	(2,719)
Minimum pension liability adjustments, net of income taxes of $0.2 million and $0.6 million at June 30, 2017, and $0.1 million and $0.5 million at June 30, 2016	365	314	1,097	940
Other comprehensive income (loss)	(6,534)	10,058	(3,897)	(1,779)
Comprehensive income (loss)	$ (28,333)	$ (11,142)	$ (109,577)	$ 14,228

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended June 30, 2017	2016
OPERATING ACTIVITIES:		
Net income (loss)	$ (105,680)	$ 16,007
Adjustment for (income) loss from discontinued operations	(472)	3,872
Income (loss) from continuing operations	(106,152)	19,879
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	431,667	422,336
Asset impairment charge	—	6,250
Amortization of debt discount and debt issuance costs	789	879
Provision (recovery) for bad debt	3,858	(3,067)
Stock-based compensation	19,247	19,661
Pension settlement charge	1,411	3,343
Income from asset sales	(17,593)	(7,820)
Deferred income tax expense	(27,798)	77,886
Other	62	255
Change in assets and liabilities:		
Accounts receivable	(62,942)	97,698
Inventories	(11,806)	(344)
Prepaid expenses and other	26,820	(6,537)
Accounts payable	41,398	(13,643)
Accrued liabilities	(53,456)	14,632
Deferred income taxes	(1,051)	2,673
Other noncurrent liabilities	(8,205)	(18,741)
Net cash provided by operating activities from continuing operations	236,249	615,340
Net cash provided by (used in) operating activities from discontinued operations	(115)	70
Net cash provided by operating activities	236,134	615,410
INVESTING ACTIVITIES:		
Capital expenditures	(300,275)	(219,549)
Purchase of short-term investments	(48,958)	(36,958)
Payment for acquisition of business, net of cash acquired	(70,416)	—
Proceeds from sale of short-term investments	53,150	32,681
Proceeds from asset sales	17,921	12,804
Net cash used in investing activities	(348,578)	(211,022)
FINANCING ACTIVITIES:		

Debt issuance costs	—	(32)
Dividends paid	(229,061)	(224,040)
Exercise of stock options, net of tax withholding	10,458	483
Tax withholdings related to net share settlements of restricted stock	(5,848)	(3,912)
Excess tax benefit from stock-based compensation	4,121	761
Net cash used in financing activities	(220,330)	(226,740)
Net increase (decrease) in cash and cash equivalents	(332,774)	177,648
Cash and cash equivalents, beginning of period	905,561	729,384
Cash and cash equivalents, end of period	$ 572,787	$ 907,032

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

NINE MONTHS ENDED JUNE 30, 2017

(Unaudited)

(in thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total
alance, eptember 30, 2016	111,400	$ 11,140	$ 448,452	$ 4,289,807	$ (204)	3,322	$ (188,270)	$ 4,560,925
omprehensive loss:								
et loss				(105,680)				(105,680)
ther mprehensive loss					(3,897)			(3,897)
vidends declared 2.10 per share)				(229,422)				(229,422)
xercise of stock tions	355	36	13,950			51	(3,528)	10,458
x benefit of ock-based awards			4,121					4,121
ock issued for sted restricted ock, net of shares thheld for nployee taxes	142	14	(7,539)			(57)	1,677	(5,848)
ock-based mpensation			19,247					19,247
alance, ne 30, 2017	111,897	$ 11,190	$ 478,231	$ 3,954,705	$ (4,101)	3,316	$ (190,121)	$ 4,249,904

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1.Basis of Presentation

Unless the context otherwise requires, the use of the terms “the Company”, “we”, “us” and “our” in these Notes to Consolidated Condensed Financial Statements refers to Helmerich & Payne, Inc. and its consolidated subsidiaries.

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “Commission”) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by GAAP for complete financial statements and, therefore, should be read in conjunction with the Consolidated Financial Statements and notes thereto in our 2016 Annual Report on Form 10-K and other current filings with the Commission. In the opinion of management all adjustments, consisting of those of a normal recurring nature, necessary to present fairly the results of the periods presented have been included. The results of operations for the interim periods presented may not necessarily be indicative of the results to be expected for the full year.

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-04, Intangibles-Goodwill and Other (Topic 350). The objective of this ASU is to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Instead, under this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The ASU is applicable for public entities for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The amendments should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We early adopted this guidance effective June 30, 2017 with no impact on our consolidated financial statements. Goodwill will be evaluated for impairment each year in our fourth fiscal quarter.

As more fully described in our 2016 Annual Report on Form 10-K, our contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For contracts that are terminated by customers prior to the expirations of their fixed terms, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met. During the three and nine months ended June 30, 2017, early termination revenue was approximately $5.1 million and $24.8 million, respectively. We had $80.7 million and $189.2 million of early termination revenue for the three and nine months ended June 30, 2016.

Depreciation in the Consolidated Condensed Statements of Operations includes abandonments of $7.7 million and $27.2 million for the three and nine months ended June 30, 2017 and $0.9 million for the nine months ended June 30, 2016. During fiscal 2017, upgrades to our rig fleet to meet customer demands for additional capabilities resulted in the abandonment of older rig components.

During the second quarter of fiscal 2017, we determined rig equipment in our U.S. Land segment previously classified as held for sale no longer met the criteria for held for sale and was reclassified to property, plant and equipment. The equipment is from rigs that were decommissioned from service in prior fiscal years and is recorded at its carrying value which is lower than its estimated fair value.

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During the third quarter of fiscal 2017, we determined rig equipment in our International Land segment previously classified as held for sale no longer met the criteria for held for sale and was reclassified to property, plant and equipment. The equipment is recorded at its carrying value which is lower than its estimated fair value.

During the second quarter of fiscal 2017, we sold one of our offshore rigs. The gain from the sale is included in Income from asset sales in our Consolidated Condensed Statements of Operations.

The functional currency for all our foreign operations is the U.S. dollar. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the end of the period. Income statement accounts are translated at average rates for the period presented. Foreign currency gains and losses from remeasurement of foreign currency financial statements and foreign currency translations into U.S. dollars are included in direct operating costs. Included in direct operating costs are aggregate foreign currency losses of $1.3 million and $3.3 million for the three and nine months ended June 30, 2017, respectively. For the three and nine months ended June 30, 2016, we had aggregate foreign currency losses of $1.1 million and $9.4 million, respectively, primarily due to the sharp devaluation of the Argentine peso in December 2015.

2.Business Combinations

On June 2, 2017, we completed a merger transaction (“MOTIVE Merger”) pursuant to which an unaffiliated drilling technology company, MOTIVE Drilling Technologies, Inc., a Delaware corporation (“MOTIVE”), was merged with and into our wholly owned subsidiary Spring Merger Sub, Inc., a Delaware corporation. MOTIVE survived the transaction and is now a wholly owned subsidiary of the Company. At the effective time of the MOTIVE Merger, MOTIVE shareholders received aggregate cash consideration of $74.3 million, net of customary closing adjustments, and may receive up to an additional $25.0 million in potential earnout payments based on future performance. Transaction costs related to the MOTIVE Merger incurred during the nine months ended June 30, 2017, were $2.8 million and are recorded in the Consolidated Statement of Operations within the general and administrative expense line item. We recorded revenue of $1.1 million and a net loss of $0.7 million related to the MOTIVE Merger during the three and nine months ended June 30, 2017.

MOTIVE has a proprietary Bit Guidance System that is an algorithm-driven system that considers the total economic consequences of directional drilling decisions and has proven to consistently lower drilling costs through more efficient drilling and increase hydrocarbon production through smoother wellbores and more accurate well placement. Given our strong and longstanding technology and innovation focus, we believe the technology will continue to advance and provide further benefits for the industry.

The MOTIVE Merger is accounted for as a business combination in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations, which requires the assets acquired and liabilities assumed to be recorded at their acquisition date fair values. The estimated fair values are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to changes as we obtain additional information for those estimates during the measurement period. The following table summarizes the purchase price and the preliminary allocation of the fair values of assets acquired and liabilities assumed and separately identifiable intangible assets at the acquisition date (in thousands):

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Purchase Price	
Consideration given	
Cash consideration	$ 74,275
Long-term contingent earnout liability (Other noncurrent liabilities)	14,509
Total consideration given	$ 88,784
Allocation of Purchase Price	
Fair value of assets acquired	
Current assets	$ 4,425
Property, plant and equipment	300
Intangible asset - developed technology (Intangible assets, net of amortization)	51,000
Goodwill	47,249
Total assets acquired	$ 102,974
Fair value of liabilities assumed	
Current liabilities	$ 25
Deferred income taxes	14,165
Total liabilities acquired	$ 14,190
Fair value of total assets and liabilities acquired	$ 88,784

The fair value of the contingent consideration of $14.5 million, calculated using a Monte Carlo simulation which evaluates numerous potential earnings and pay out scenarios, is considered a level 3 measurement under the fair value hierarchy. The developed technology is an intangible asset that will be amortized on a straight-line basis over an estimated 15-year life. We expect annual amortization to be approximately $3.4 million. The goodwill consists largely of the synergies and economies of scale expected from the drilling technology providing more efficient drilling and directional drilling services, the first mover advantage obtained through the acquisition and expected future developments resulting from the assembled workforce. The goodwill is reported in the Other segment and will not be allocated to any other reporting unit. The goodwill is not subject to amortization but will be evaluated at least annually for impairment or more frequently if impairment indicators are present. The developed technology and goodwill are not deductible for income tax purposes. An associated deferred tax liability has been recorded in regards to the developed technology.

The following unaudited pro forma combined financial information is provided for the nine months ended June 30, 2017 and 2016, as though the MOTIVE Merger had been completed as of October 1, 2015. These pro forma combined results of operations have been prepared by adjusting our historical results to include the historical results of MOTIVE and reflect pro forma adjustments based on available information and certain assumptions that we believe are reasonable, including application of an appropriate income tax to MOTIVE pre-tax loss. Additionally, pro forma earnings for the nine months ended June 30, 2017 were adjusted to exclude $1.0 million of after-tax transaction costs. The unaudited pro forma combined financial information is provided for illustrative purposes only and is not necessarily indicative of the actual results that would have been achieved by the combined company for

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the periods presented or that may be achieved by the combined company in the future. Future results may vary significantly from the results reflected in this pro forma financial information.

	Pro Forma Nine Months Ended June 30,	
	2017	2016
	(unaudited) (in thousands)	
Revenues	$ 1,275,646	$ 1,294,146
Net loss	$ (105,482)	$ (18,292)

3.Discontinued Operations

Current assets of discontinued operations consist of restricted cash to meet remaining current obligations within the country of Venezuela. Current and noncurrent liabilities consist of municipal and income taxes payable and social obligations due within the country of Venezuela. Expenses incurred for in-country obligations are reported as discontinued operations.

4.Earnings per Share

ASC 260, Earnings per Share, requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings per share. We have granted and expect to continue to grant to employees restricted stock grants that contain non-forfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings per share and calculate basic earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Basic earnings per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented.

Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock.

Under the two-class method of calculating earnings per share, dividends paid and a portion of undistributed net income, but not losses, are allocated to unvested restricted stock grants that receive dividends, which are considered participating securities.

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The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30, 2017	2016	Nine Months Ended June 30, 2017	2016
	(in thousands, except per share amounts)			
Numerator:				
Income (loss) from continuing operations	$ (23,125)	$ (21,193)	$ (106,152)	$ 19,879
Income (loss) from discontinued operations	1,326	(7)	472	(3,872)
Net income (loss)	(21,799)	(21,200)	(105,680)	16,007
Adjustment for basic earnings per share				
Earnings allocated to unvested shareholders	(458)	(451)	(1,349)	(1,410)
Numerator for basic earnings per share:				
From continuing operations	(23,583)	(21,644)	(107,501)	18,469
From discontinued operations	1,326	(7)	472	(3,872)
	(22,257)	(21,651)	(107,029)	14,597
Adjustment for diluted earnings per share:				
Effect of reallocating undistributed earnings of unvested shareholders	—	—	—	—
Numerator for diluted earnings per share:				
From continuing operations	(23,583)	(21,644)	(107,501)	18,469
From discontinued operations	1,326	(7)	472	(3,872)
	$ (22,257)	$ (21,651)	$ (107,029)	$ 14,597
Denominator:				
Denominator for basic earnings per share - weighted-average shares	108,572	108,047	108,470	107,970
Effect of dilutive shares from stock options and restricted stock	—	—	—	553
Denominator for diluted earnings per share - adjusted weighted-average shares	108,572	108,047	108,470	108,523
Basic earnings per common share:				
Income (loss) from continuing operations	$ (0.22)	$ (0.20)	$ (0.99)	$ 0.18
Income (loss) from discontinued operations	0.01	—	—	(0.04)
Net income (loss)	$ (0.21)	$ (0.20)	$ (0.99)	$ 0.14
Diluted earnings per common share:				
Income (loss) from continuing operations	$ (0.22)	$ (0.20)	$ (0.99)	$ 0.17
Income (loss) from discontinued operations	0.01	—	—	(0.04)
Net income (loss)	$ (0.21)	$ (0.20)	$ (0.99)	$ 0.13

We had a net loss for the three and nine months ended June 30, 2017. Accordingly, our diluted earnings per share calculation for the three and nine months ended June 30, 2017 was equivalent to our basic earnings per share calculation since diluted earnings per share excluded any assumed exercise of equity awards. These were excluded because they were deemed to be anti-dilutive, meaning their inclusion would have reduced the reported net loss per share in the applicable period.

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The following shares attributable to outstanding equity awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Shares excluded from calculation of diluted earnings per share	1,332	3,409	1,034	1,861
Weighted-average price per share	$ 70.82	$ 51.94	$ 73.84	$ 63.70

5.Financial Instruments and Fair Value Measurement

The estimated fair value of our available-for-sale securities, reflected on our Consolidated Condensed Balance Sheets as Investments, is based on market quotes. The following is a summary of available-for-sale securities, which excludes assets held in a Non-qualified Supplemental Savings Plan:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Equity Securities:				
June 30, 2017	$ 38,473	$ 27,067	$ (2,160)	$ 63,380
September 30, 2016	$ 38,473	$ 33,051	$ —	$ 71,524

On an ongoing basis we evaluate the marketable equity securities to determine if any decline in fair value below cost is other-than-temporary. If a decline in fair value below cost is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis established. We review several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near-term prospects of the issuer and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. One of our securities, Atwood Oceanics, Inc. (“Atwood”), was in an unrealized loss position for less than 30 days at June 30, 2017. During the quarter, Ensco plc (“Ensco”) announced that it entered into a definitive merger agreement under which Ensco will acquire Atwood in an all-stock transaction. The definitive merger agreement was unanimously approved by each company’s Board of Directors. Under the terms of the merger agreement, Atwood shareholders will receive 1.60 shares of Ensco for each share of Atwood common stock for a total value of $10.72 per Atwood share based on Ensco's closing share price of $6.70 on May 26, 2017. The merger is subject to shareholder approval from both companies (simple majority approval from Ensco shareholders and two-thirds majority approval from Atwood shareholders). The votes for each respective company are currently pending and do not have an announced date. The transaction is reportedly expected to close as early as the third quarter of calendar year 2017. Considering the factors above, including whether and when the security will recover in value and based on our ability and intent to hold these investments until the fair value recovers, impairment was not considered other-than-temporary at June 30, 2017.

The assets held in the Non-qualified Supplemental Savings Plan are carried at fair value which totaled $13.6 million at June 30, 2017 and $13.4 million at September 30, 2016. The assets are comprised of mutual funds that are measured using Level 1 inputs.

Short-term investments include securities classified as trading securities. Both realized and unrealized gains and losses on trading securities are included in other income (expense) in the Consolidated Condensed Statements of Operations. The securities are recorded at fair value.

The majority of cash equivalents are invested in highly liquid money-market mutual funds invested primarily in direct or indirect obligations of the U.S. Government. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use the fair value hierarchy established in ASC 820-10 to measure fair value to prioritize the inputs:

· Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

· Level 2 — Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

· Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

At June 30, 2017, our financial instruments utilizing Level 1 inputs include cash equivalents, equity securities with active markets, money market funds we have elected to classify as restricted assets that are included in other current assets and other assets. Also included is cash denominated in a foreign currency that we have elected to classify as restricted to be used to settle the remaining liabilities of discontinued operations. For these items, quoted current market prices are readily available.

At June 30, 2017, Level 2 inputs include U.S. Agency issued debt securities, municipal bonds and corporate bonds measured using broker quotations that utilize observable market inputs. Also included in level 2 inputs are bank certificate of deposits included in short-term investments or current assets.

Our financial instruments measured using Level 3 inputs consist of potential earnout payments associated with the MOTIVE acquisition during the third quarter of fiscal 2017. The valuation techniques used for determining the fair value of the potential earnout payments are described further in Note 2.

The following table summarizes our assets and liabilities measured at fair value presented in our Consolidated Condensed Balance Sheet as of June 30, 2017:

	Fair Value (in thousands)	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements:				
Short-term investments:				
Certificate of deposit	$ 4,600	$ —	$ 4,600	$ —
Corporate and municipal debt securities	13,877	—	13,877	—
U.S. government and federal agency securities	21,417	17,419	3,998	—
Total short-term investments	39,894	17,419	22,475	—
Cash and cash equivalents	572,787	572,787	—	—
Investments	63,380	63,380	—	—
Other current assets	32,917	32,667	250	—
Other assets	6,690	6,690	—	—
Total assets measured at fair value	$ 715,668	$ 692,943	$ 22,725	$ —
Liabilities				
Contingent earnout liability	$ 14,509	$ —	$ —	$ 14,509

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The following information presents the supplemental fair value information about long-term fixed-rate debt at June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
	(in millions)	
Carrying value of long-term fixed-rate debt	$ 492.6	$ 491.8
Fair value of long-term fixed-rate debt	$ 527.2	$ 529.6

The fair value for the $500 million fixed-rate debt was based on broker quotes at June 30, 2017. The notes are classified within Level 2 as they are not actively traded in markets.

6.Shareholders' Equity

The Company has authorization from the Board of Directors for the repurchase of up to four million shares per calendar year. The repurchases may be made using our cash and cash equivalents or other available sources. We had no purchases of common shares in either of the third quarters of fiscal 2017 or fiscal 2016.

Components of accumulated other comprehensive income (loss) were as follows:

	June 30, 2017	September 30, 2016
	(in thousands)	
Pre-tax amounts:		
Unrealized appreciation on securities	$ 24,907	$ 33,051
Unrealized actuarial loss	(32,387)	(34,112)
	$ (7,480)	$ (1,061)
After-tax amounts:		
Unrealized appreciation on securities	$ 15,905	$ 20,899
Unrealized actuarial loss	(20,006)	(21,103)
	$ (4,101)	$ (204)

The following is a summary of the changes in accumulated other comprehensive income, net of tax, by component for the three and nine months ended June 30, 2017:

	Three Months Ended June 30, 2017		
	Unrealized Appreciation (Depreciation) on Available-for-sale Securities	Defined Benefit Pension Plan	Total
	(in thousands)		
Balance at April 1, 2017	$ 22,804	$ (20,371)	$ 2,433
Other comprehensive loss before reclassifications	(6,899)	—	(6,899)
Amounts reclassified from accumulated other comprehensive income	—	365	365
Net current-period other comprehensive income (loss)	(6,899)	365	(6,534)
Balance June 30, 2017	$ 15,905	$ (20,006)	$ (4,101)

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	Nine Months Ended June 30, 2017		
	Unrealized Appreciation (Depreciation) on Available-for-sale Securities	Defined Benefit Pension Plan	Total
	(in thousands)		
Balance at October 1, 2016	$ 20,899	$ (21,103)	$ (204)
Other comprehensive loss before reclassifications	(4,994)	—	(4,994)
Amounts reclassified from accumulated other comprehensive income	—	1,097	1,097
Net current-period other comprehensive income (loss)	(4,994)	1,097	(3,897)
Balance June 30, 2017	$ 15,905	$ (20,006)	$ (4,101)

The following provides detail about accumulated other comprehensive income components which were reclassified to the Condensed Consolidated Statements of Operations:

	Amount Reclassified from	Amount Reclassified from