

NABORS INDUSTRIES LTD
Form 10-Q
August 06, 2014
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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, 2014

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

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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 July 30, 2014 was 299,743,725.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 410,958	\$ 389,915
Short-term investments	75,386	117,218
Assets held for sale	233,163	243,264
Accounts receivable, net	1,448,511	1,399,543
Inventory	216,444	209,793
Deferred income taxes	87,354	121,316
Other current assets	338,822	272,781
Total current assets	2,810,638	2,753,830
Long-term investments and other receivables	2,724	3,236
Property, plant and equipment, net	8,832,966	8,597,813
Goodwill	512,897	512,964
Investment in unconsolidated affiliates	60,509	64,260
Other long-term assets	216,265	227,708
Total assets	\$ 12,435,999	\$ 12,159,811
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	\$ 207	\$ 10,185
Trade accounts payable	617,827	545,512
Accrued liabilities	674,841	697,093
Income taxes payable	26,711	58,634
Total current liabilities	1,319,586	1,311,424
Long-term debt	3,956,290	3,904,117
Other long-term liabilities	596,530	377,744
Deferred income taxes	481,671	516,161
Total liabilities	6,354,077	6,109,446
Commitments and contingencies (Note 9)		
Subsidiary preferred stock		69,188
Equity:		
Shareholders' equity:		
Common shares, par value \$0.001 per share:		
Authorized common shares 800,000; issued 328,134 and 323,711, respectively	328	324
Capital in excess of par value	2,433,626	2,392,585
Accumulated other comprehensive income (Revised)	188,552	216,140
Retained earnings (Revised)	4,393,547	4,304,664
Less: treasury shares, at cost, 28,414 common shares	(944,627)	(944,627)
Total shareholders' equity	6,071,426	5,969,086
Noncontrolling interest	10,496	12,091
Total equity	6,081,922	5,981,177
Total liabilities and equity	\$ 12,435,999	\$ 12,159,811

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

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(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues and other income:				
Operating revenues	\$ 1,616,981	\$ 1,457,966	\$ 3,206,599	\$ 2,993,444
Earnings (losses) from unconsolidated affiliates	(576)	1,360	(3,021)	4,255
Investment income (loss)	7,066	14,821	8,046	94,242
Total revenues and other income	1,623,471	1,474,147	3,211,624	3,091,941
Costs and other deductions:				
Direct costs	1,066,495	972,310	2,128,234	1,967,302
General and administrative expenses	133,630	131,202	267,896	262,080
Depreciation and amortization	282,820	266,210	564,947	535,575
Interest expense	46,303	60,273	91,113	120,284
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net	16,504	9,242	17,980	68,979
Total costs and other deductions	1,545,752	1,439,237	3,070,170	2,954,220
Income (loss) from continuing operations before income tax	77,719	34,910	141,454	137,721
Income tax expense (benefit):				
Current	7,577	11,381	21,235	30,210
Deferred	3,179	(5,349)	3,529	(14,324)
Total income tax expense (benefit)	10,756	6,032	24,764	15,886
Subsidiary preferred stock dividend	1,234	750	1,984	1,500
Income (loss) from continuing operations, net of tax	65,729	28,128	114,706	120,335
Income (loss) from discontinued operations, net of tax	(1,032)	(26,873)	483	(19,862)
Net income (loss)	64,697	1,255	115,189	100,473
Less: Net (income) loss attributable to noncontrolling interest	(253)	(5,616)	(826)	(5,713)
Net income (loss) attributable to Nabors	\$ 64,444	\$ (4,361)	\$ 114,363	\$ 94,760
Earnings (losses) per share:				
Basic from continuing operations	\$ 0.21	\$ 0.08	\$ 0.37	\$ 0.41
Basic from discontinued operations		(0.09)		(0.09)
Total Basic	\$ 0.21	\$ (0.01)	\$ 0.37	\$ 0.32
Diluted from continuing operations	\$ 0.21	\$ 0.08	\$ 0.37	\$ 0.41
Diluted from discontinued operations		(0.09)		(0.09)
Total Diluted	\$ 0.21	\$ (0.01)	\$ 0.37	\$ 0.32
Weighted-average number of common shares outstanding:				
Basic	297,984	294,747	297,097	293,217
Diluted	300,981	297,119	300,016	295,644

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income (loss) attributable to Nabors	\$ 64,444	\$ (4,361)	\$ 114,363	\$ 94,760
Other comprehensive income (loss), before tax:				
Translation adjustment attributable to Nabors	32,255	(29,304)	(4,339)	(52,569)
Unrealized gains/(losses) on marketable securities:				
Unrealized gains/(losses) on marketable securities	(325)	(5,137)	(19,533)	5,002
Less: reclassification adjustment for (gains)/losses on marketable securities	(4,903)	(12,183)	(4,903)	(88,157)
Unrealized gains/(losses) on marketable securities	(5,228)	(17,320)	(24,436)	(83,155)
Pension liability amortization and adjustment	123	281	246	562
Unrealized gains/(losses) and amortization of cash flow hedges	153	153	306	306
Other comprehensive income (loss), before tax	27,303	(46,190)	(28,223)	(134,856)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(784)	(2,063)	(636)	(2,277)
Other comprehensive income (loss), net of tax	28,087	(44,127)	(27,587)	(132,579)
Comprehensive income (loss) attributable to Nabors	92,531	(48,488)	86,776	(37,819)
Net income (loss) attributable to noncontrolling interest	253	5,616	826	5,713
Translation adjustment attributable to noncontrolling interest	379	613	(102)	(801)
Comprehensive income (loss) attributable to noncontrolling interest	632	6,229	724	4,912
Comprehensive income (loss)	\$ 93,163	\$ (42,259)	\$ 87,500	\$ (32,907)

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
	2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 115,189	\$ 100,473
Adjustments to net income (loss):		
Depreciation and amortization	564,947	543,637
Depletion and other oil and gas expense	1,511	14,182
Deferred income tax expense (benefit)	3,172	(20,720)
Impairment and other charges		45,000
Losses (gains) on long-lived assets, net	15,041	(10,017)
Losses (gains) on investments, net	(5,062)	(91,140)
Share-based compensation	19,301	38,824
Foreign currency transaction losses (gains), net	1,044	7,311
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	3,021	(3,891)
Other	3,355	9,709
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(48,089)	22,556
Inventory	(6,623)	13,893
Other current assets	(31,780)	(3,402)
Other long-term assets	10,868	25,820
Trade accounts payable and accrued liabilities	57,418	38,216
Income taxes payable	(63,070)	(28,834)
Other long-term liabilities	205,794	(36,209)
Net cash provided by operating activities	846,037	665,408
Cash flows from investing activities:		
Purchases of investments	(266)	
Sales and maturities of investments	23,238	163,161
Proceeds from sales of unconsolidated affiliate		10,000
Cash paid for acquisition of businesses, net	(10,200)	(37,516)
Investment in unconsolidated affiliates	(1,612)	(3,927)
Capital expenditures	(862,680)	(500,368)
Proceeds from sales of assets and insurance claims	69,343	29,731
Other	(761)	(3,142)
Net cash used for investing activities	(782,938)	(342,061)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(3,383)	(8,686)
Proceeds from (payments for) issuance of common shares	29,047	3,200
Dividends to shareholders	(23,792)	(23,552)
Proceeds from debt		11,569
Debt issuance costs		(87)
Reduction in long-term debt		(17,853)
Reduction in short-term debt	(10,000)	
Proceeds from (payment for) commercial paper, net	111,228	295,000
Purchase of preferred stock	(70,875)	
Proceeds from revolving credit facilities	15,000	
Reduction in revolving credit facilities	(75,000)	(590,000)
Other	(7,303)	(3,023)

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Net cash used for financing activities	(35,078)	(333,432)
Effect of exchange rate changes on cash and cash equivalents	(6,978)	(6,709)
Net increase (decrease) in cash and cash equivalents	21,043	(16,794)
Cash and cash equivalents, beginning of period	389,915	524,922
Cash and cash equivalents, end of period	\$ 410,958	\$ 508,128

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Common Shares	Capital	Accumulated			Non-	Total
	Par	in Excess	Other	Retained	Treasury	controlling	Equity
(In thousands)	Value	of Par	Comprehensive	Earnings	Shares	Interest	
As of December 31, 2012	Shares	Value	Value	Income			