

ROWAN COMPANIES PLC  
Form 10-Q  
August 05, 2015  
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, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

1-5491  
Commission File Number  
Rowan Companies plc  
(Exact name of registrant as specified in its charter)

England and Wales  
(State or other jurisdiction of  
incorporation or organization)

98-1023315  
(I.R.S. Employer  
Identification No.)

2800 Post Oak Boulevard, Suite 5450, Houston, Texas  
(Address of principal executive offices)  
(713) 621-7800  
(Registrant's telephone number, including area code)

77056-6189  
(Zip Code)

Inapplicable  
(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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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

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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 Class A ordinary shares, \$0.125 par value, outstanding at July 31, 2015, was 124,793,925, which excludes 1,153,499 shares held by an affiliated employee benefit trust.

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ROWAN COMPANIES PLC

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FORWARD-LOOKING STATEMENTS

Statements contained in this report regarding future financial performance, results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will," "forecast," "potential," "outlook," "scheduled," "predict," "continue," "will likely result," and similar words and specifically include statements regarding expected financial performance; dividend and share repurchases; growth strategies; expected utilization, day rates, revenues, operating expenses, contract terms, contract backlog, capital expenditures, tax rates and positions, insurance coverages, access to financing and funding sources; the availability, delivery, mobilization, contract commencement, relocation or other movement of rigs and the timing thereof; future rig construction (including construction in progress and completion thereof), enhancement, upgrade or repair and costs and timing thereof; the suitability of rigs for future contracts; general market, business and industry conditions, trends and outlook; rig demand; future operations; the impact of increasing regulatory requirements and complexity; expected contributions from our new rigs and our entry into the ultra-deepwater market; divestiture of selected assets; expense management; the likely outcome of legal proceedings or insurance or other claims and the timing thereof; activity levels in the offshore drilling market; customer drilling programs; and commodity prices. Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including:

- prices of oil and natural gas and industry expectations about future prices;

- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling rigs and reactivation of rigs;

- variable levels of drilling activity and expenditures, whether as a result of actions by OPEC, global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;

- drilling permit and operations delays, moratoria or suspensions, new and future regulatory, legislative or permitting requirements (including requirements related to certification and testing of blowout preventers and other equipment or otherwise impacting operations), future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill contingency plan requirements and other governmental actions that may result in claims of force majeure or otherwise adversely affect our existing drilling contracts;

- governmental regulatory, legislative and permitting requirements affecting drilling operations or compliance obligations in the areas in which our rigs operate;

- tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes;

- downtime, lost revenue and other risks associated with drilling operations, operating hazards, or rig relocations and transportation, including rig or equipment failure, collisions, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to weather conditions or otherwise, and the limited availability or high cost of insurance coverage for certain offshore perils or associated removal of wreckage or debris and other losses;

- access to spare parts, equipment and personnel to maintain, upgrade and service our fleet;

possible cancellation or suspension of drilling contracts as a result of economic conditions in the industry, force majeure, mechanical difficulties, delays, performance or other reasons;

potential cost overruns and other risks inherent to shipyard rig construction, repair or enhancement, unexpected delays in rig and equipment delivery and engineering or design issues following shipyard delivery, or delays in the dates our rigs will enter a shipyard, be transported and delivered, enter service or return to service;

changes or delays in actual contract commencement dates; contract terminations, contract extensions, contract option exercises, contract revenues, contract awards; the termination of contracts or renegotiation of contract terms by customers, or payment or operational delays by our customers;

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operating hazards, including environmental or other liabilities, risks, expenses or losses, whether related to well-control issues, or storm or hurricane damage, losses or liabilities (including wreckage or debris removal), collisions, or otherwise;

our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to competition from other contract drillers, labor regulations or otherwise; our ability to seek and receive visas for our personnel to work in our areas of operation in a timely manner;

governmental action and political and economic uncertainties, including uncertainty or instability resulting from civil unrest, political demonstrations, strikes, or outbreak or escalation of armed hostilities or other crises in oil or natural gas producing areas in which we operate, which may result in extended business interruptions, suspended operations, or claims by our customers of a force majeure situation and payment disputes;

terrorism, piracy, cyber-breaches, outbreaks of any disease or epidemic and other related travel restrictions, political instability, hostilities, acts of war, nationalization, expropriation, confiscation or deprivation of our assets or military action impacting our operations, assets or financial performance in any of our areas of operations;

the outcome of legal proceedings, or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, any purported renegotiation, nullification, cancellation or breach of contracts with customers or other parties, and any failure to negotiate or complete definitive contracts following announcements of receipt of letters of intent;

potential for additional long-lived asset impairments;

impacts of any global financial or economic downturn;

effects of accounting changes and adoption of accounting policies;

potential return to shareholders in the form of dividends and share repurchases;

costs and uncertainties associated with our redomestication, or changes in laws that could reduce or eliminate the anticipated benefits of the transaction;

potential unplanned expenditures and funding requirements, including investments in pension plans and other benefit plans; and

other important factors described from time to time in the reports filed by us with the Securities and Exchange Commission and the New York Stock Exchange.

Such risks and uncertainties are beyond our ability to control, and in many cases we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize or should our underlying assumptions prove incorrect, actual results may vary materially from those indicated. You should not place undue reliance on forward-looking statements. In addition to the risks, uncertainties and assumptions described above, you should also carefully read and consider the risk factors and forward-looking statement disclosure contained in our Annual Report on Form 10-K for the year ended December 31, 2014. We disclaim any obligation to update or revise any forward-looking statements except as required by applicable law or regulation.



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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

ROWAN COMPANIES PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)

(Unaudited)

	June 30, 2015	December 31, 2014
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 198,554	\$ 339,154
Receivables - trade and other	497,912	545,204
Prepaid expenses and other current assets	39,963	29,253
Deferred tax assets - net	27,460	27,485
Total current assets	763,889	941,096
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Drilling equipment	9,253,919	7,639,171
Construction in progress	—	1,023,646
Other property and equipment	139,585	137,365
Property, plant and equipment - gross	9,393,504	8,800,182
Less accumulated depreciation and amortization	1,539,335	1,367,970
Property, plant and equipment - net	7,854,169	7,432,212
Other assets	38,709	37,884
<b>TOTAL ASSETS</b>	<b>\$8,656,767</b>	<b>\$8,411,192</b>
<b>CURRENT LIABILITIES:</b>		
Short-term debt	\$ 50,000	\$—
Accounts payable - trade	110,216	102,773
Deferred revenues	41,102	36,189
Accrued liabilities	183,077	194,259
Total current liabilities	384,395	333,221
Long-term debt	2,806,901	2,807,324
Other liabilities	372,994	368,266
Deferred income taxes - net	204,356	210,982
Commitments and contingent liabilities (Note 4)		
<b>SHAREHOLDERS' EQUITY:</b>		
Class A Ordinary Shares, \$0.125 par value, 125,947,424 and 124,828,807 shares issued at June 30, 2015, and December 31, 2014, respectively	15,743	15,604
Additional paid-in capital	1,447,212	1,436,910
Retained earnings	3,650,177	3,466,993
Cost of 1,160,928 and 264,903 treasury shares at June 30, 2015, and December 31, 2014, respectively	(11,692 )	(7,990 )



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Accumulated other comprehensive loss	(213,319 )	(220,118 )
Total shareholders' equity	4,888,121	4,691,399
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$8,656,767</b>	<b>\$8,411,192</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
REVENUES	\$508,736	\$422,878	\$1,055,775	\$800,480
<b>COSTS AND EXPENSES:</b>				
Direct operating costs (excluding items below)	253,944	244,578	509,678	464,947
Depreciation and amortization	95,390	77,678	185,080	148,551
Selling, general and administrative	31,158	29,142	58,744	59,017
Loss (gain) on disposals of property and equipment	338	859	(175	) 1,662
Proceeds from litigation settlement	—	—	—	(20,875
Material charges and other operating expenses	5,000	8,300	5,000	8,300
Total costs and expenses	385,830	360,557	758,327	661,602
<b>INCOME FROM OPERATIONS</b>	<b>122,906</b>	<b>62,321</b>	<b>297,448</b>	<b>138,878</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense, net of interest capitalized	(30,840	) (27,692	) (63,586	) (48,652
Interest income	435	762	590	1,349
Other - net	(80	) (545	) (1,121	) (896
Total other income (expense) - net	(30,485	) (27,475	) (64,117	) (48,199
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>92,421</b>	<b>34,846</b>	<b>233,331</b>	<b>90,679</b>
Provision for income taxes	7,686	1,982	24,927	2,263
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>84,735</b>	<b>32,864</b>	<b>208,404</b>	<b>88,416</b>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	<b>—</b>	<b>(20</b>	<b>) —</b>	<b>4,023</b>
<b>NET INCOME</b>	<b>\$84,735</b>	<b>\$32,844</b>	<b>\$208,404</b>	<b>\$92,439</b>
<b>INCOME PER SHARE - BASIC:</b>				
Income from continuing operations	\$0.68	\$0.26	\$1.67	\$0.71
Discontinued operations	\$—	\$—	\$—	\$0.04
Net income	\$0.68	\$0.26	\$1.67	\$0.75
<b>INCOME PER SHARE - DILUTED:</b>				
Income from continuing operations	\$0.68	\$0.26	\$1.67	\$0.71
Discontinued operations	\$—	\$—	\$—	\$0.03
Net income	\$0.68	\$0.26	\$1.67	\$0.74
<b>CASH DIVIDENDS DECLARED PER SHARE</b>	<b>\$0.10</b>	<b>\$0.10</b>	<b>\$0.20</b>	<b>\$0.10</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
NET INCOME	\$84,735	\$32,844	\$208,404	\$92,439
OTHER COMPREHENSIVE INCOME:				
Net reclassification adjustment for amounts recognized in net income as a component of net periodic benefit cost, net of income tax expense of \$1,840 and \$1,298 for the three months ended June 30, 2015 and 2014, and \$3,648 and \$2,585 for the six months ended June 30, 2015 and 2014, respectively	3,413	2,424	6,799	4,828
COMPREHENSIVE INCOME	\$88,148	\$35,268	\$215,203	\$97,267

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ROWAN COMPANIES PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Six months ended June 30,	
	2015	2014
CASH PROVIDED BY OPERATIONS:		
Net income	\$208,404	\$92,439
Adjustments to reconcile net income to net cash provided by operations:		