

MCDERMOTT INTERNATIONAL INC  
Form 10-Q  
August 09, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

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 No. 001-08430

**McDERMOTT INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**REPUBLIC OF PANAMA**  
(State or Other Jurisdiction of

**72-0593134**  
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

**777 N. ELDRIDGE PKWY**

**HOUSTON, TEXAS**  
(Address of Principal Executive Offices)

**77079**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code: (281) 870-5901**

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 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  (Do not check if a smaller reporting company)

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 shares of the registrant's common stock outstanding at August 5, 2010 was 232,257,560.

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**McDERMOTT INTERNATIONAL, INC.**

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**PART I**

**McDERMOTT INTERNATIONAL, INC.**

**FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements**

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## McDERMOTT INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

## ASSETS

	June 30, 2010 (Unaudited)	December 31, 2009
	(In thousands)	
Current Assets:		
Cash and cash equivalents	\$ 777,554	\$ 899,270
Restricted cash and cash equivalents (Note 1)	150,708	69,920
Accounts receivable trade, net	568,515	642,995
Accounts and notes receivable unconsolidated affiliates	13,657	5,806
Accounts receivable other	64,829	68,035
Contracts in progress	351,923	400,831
Inventories (Note 1)	100,636	101,494
Deferred income taxes	90,702	100,828
Other current assets	99,890	68,742
<b>Total Current Assets</b>	<b>2,218,414</b>	<b>2,357,921</b>
Property, Plant and Equipment	2,691,060	2,608,740
Less: Accumulated depreciation	(1,312,985)	(1,271,135)
<b>Net Property, Plant and Equipment</b>	<b>1,378,075</b>	<b>1,337,605</b>
Investments	168,195	228,706
Goodwill	334,649	306,497
Deferred Income Taxes	242,826	275,567
Investments in Unconsolidated Affiliates	101,228	86,932
Other Assets	271,262	255,882
<b>TOTAL</b>	<b>\$ 4,714,649</b>	<b>\$ 4,849,110</b>

See accompanying notes to condensed consolidated financial statements.

## MCDERMOTT INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

## LIABILITIES AND STOCKHOLDERS EQUITY

	June 30, 2010 (Unaudited)	December 31, 2009
	(In thousands)	
<b>Current Liabilities:</b>		
Notes payable and current maturities of long-term debt	\$ 15,067	\$ 16,270
Accounts payable	425,170	471,858
Accrued employee benefits	146,147	217,178
Accrued pension liability - current portion	130,914	173,271
Accrued liabilities - other	162,052	155,773
Accrued contract cost	86,599	103,041
Advance billings on contracts	595,410	689,334
Accrued warranty expense	117,213	118,278
Income taxes payable	59,617	64,029
<b>Total Current Liabilities</b>	<b>1,738,189</b>	<b>2,009,032</b>
<b>Long-Term Debt</b>	<b>49,218</b>	<b>56,714</b>
<b>Accumulated Postretirement Benefit Obligation</b>	<b>105,270</b>	<b>105,605</b>
<b>Self-Insurance</b>	<b>91,247</b>	<b>87,222</b>
<b>Pension Liability</b>	<b>547,031</b>	<b>610,166</b>
<b>Other Liabilities</b>	<b>152,413</b>	<b>147,271</b>
<b>Commitments and Contingencies (Note 3)</b>		
<b>Stockholders' Equity:</b>		
Common stock, par value \$1.00 per share, authorized 400,000,000 shares; issued 239,263,779 and 236,919,404 shares at June 30, 2010 and December 31, 2009, respectively	239,264	236,919
Capital in excess of par value	1,343,787	1,300,998
Retained earnings	1,087,622	951,647
Treasury stock at cost, 6,718,257 and 6,168,705 shares at June 30, 2010 and December 31, 2009, respectively	(83,284)	(69,370)
Accumulated other comprehensive loss	(598,441)	(612,997)
<b>Stockholders' Equity - McDermott International, Inc.</b>	<b>1,988,948</b>	<b>1,807,197</b>
<b>Noncontrolling interest</b>	<b>42,333</b>	<b>25,903</b>
<b>Total Stockholders' Equity</b>	<b>2,031,281</b>	<b>1,833,100</b>
<b>TOTAL</b>	<b>\$ 4,714,649</b>	<b>\$ 4,849,110</b>

See accompanying notes to condensed consolidated financial statements.

## McDERMOTT INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Unaudited)			
	(In thousands, except share and per share amounts)			
Revenues	\$ 1,333,562	\$ 1,564,999	\$ 2,515,492	\$ 3,058,262
Costs and Expenses:				
Cost of operations	1,006,733	1,275,058	1,941,584	2,503,680
Gains on asset disposals net	(165)	(1,897)	(2,258)	(656)
Costs to spin-off The Babcock & Wilcox Company	66,218		90,420	
Selling, general and administrative expenses	154,203	153,195	297,953	294,589
Total Costs and Expenses	1,226,989	1,426,356	2,327,699	2,797,613
Equity in Income of Investees	16,719	9,097	27,307	18,297
Operating Income	123,292	147,740	215,100	278,946
Other Income (Expense):				
Interest income (expense) net	(3,333)	4,987	(3,034)	6,844
Other income (expense) net	(4,494)	(10,201)	(8,711)	(20,971)
Total Other Income (Expense)	(7,827)	(5,214)	(11,745)	(14,127)
Income before Provision for Income Taxes	115,465	142,526	203,355	264,819
Provision for Income Taxes	33,872	44,645	53,544	88,523
Net Income	81,593	97,881	149,811	176,296
Less: Net Income Attributable to Noncontrolling Interest	(5,559)	(5,326)	(13,836)	(6,049)
Net Income Attributable to McDermott International, Inc.	\$ 76,034	\$ 92,555	\$ 135,975	\$ 170,247
Earnings per Share:				
Basic:				
Net Income Attributable to McDermott International, Inc.	\$ 0.33	\$ 0.40	\$ 0.59	\$ 0.74
Diluted:				
Net Income Attributable to McDermott International, Inc.	\$ 0.32	\$ 0.40	\$ 0.58	\$ 0.73
Shares used in the computation of earnings per share (Note 9):				
Basic	231,847,145	229,273,441	231,335,723	228,794,113
Diluted	234,423,546	233,105,949	234,588,291	232,846,098

See accompanying notes to condensed consolidated financial statements.

**MCDERMOTT INTERNATIONAL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

<b>Common Stock</b>	<b>Capital In Excess of Par Value</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Stockholders Equity MII</b>	<b>Non- Controlling Interest</b>	<b>Total Stockholders Equity</b>
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