

MCDERMOTT INTERNATIONAL INC
Form 10-Q
November 08, 2010
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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 September 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 November 3, 2010 was 233,448,770.

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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

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|----------------------|
| | (Unaudited) | |
| | (In thousands) | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 424,799 | \$ 969,190 |
| Investments | 216,451 | 12 |
| Accounts receivable net | 279,166 | 716,836 |
| Contracts in progress | 116,181 | 400,831 |
| Inventories | 1,675 | 101,494 |
| Deferred income taxes | 12,121 | 100,828 |
| Assets held for sale (Note 2) | 18,525 | |
| Other current assets | 40,794 | 68,730 |
| Total Current Assets | 1,109,712 | 2,357,921 |
| Property, Plant and Equipment | 1,660,293 | 2,608,740 |
| Less: Accumulated depreciation | (789,633) | (1,271,135) |
| Net Property, Plant and Equipment | 870,660 | 1,337,605 |
| Assets held for sale (Note 2) | 75,054 | |
| Investments | 78,516 | 228,706 |
| Goodwill | 40,633 | 306,497 |
| Deferred Income Taxes | | 275,567 |
| Investments in Unconsolidated Affiliates | 27,297 | 86,932 |
| Other Assets | 146,295 | 255,882 |
| TOTAL | \$ 2,348,167 | \$ 4,849,110 |

See accompanying notes to condensed consolidated financial statements.

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McDERMOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|----------------------|
| | (Unaudited) | |
| | (In thousands) | |
| Current Liabilities: | | |
| Notes payable and current maturities of long-term debt | \$ 8,567 | \$ 16,270 |
| Accounts payable | 201,388 | 471,858 |
| Accrued employee benefits | 69,663 | 217,178 |
| Accrued pension liability - current portion | 8,630 | 173,271 |
| Accrued liabilities - other | 97,600 | 155,773 |
| Accrued contract cost | 70,634 | 103,041 |
| Advance billings on contracts | 147,182 | 689,334 |
| Accrued warranty | 50 | 118,278 |
| Liabilities associated with assets held for sale (Note 2) | 19,415 | |
| Deferred tax liabilities | 11,692 | 4,735 |
| Income taxes payable | 45,319 | 59,294 |
| Total Current Liabilities | 680,140 | 2,009,032 |
| | | |
| Long-Term Debt | 45,466 | 56,714 |
| | | |
| Accumulated Postretirement Benefit Obligation | 5,192 | 105,605 |
| | | |
| Self-Insurance | 37,523 | 87,222 |
| | | |
| Pension Liability | 31,527 | 610,166 |
| | | |
| Other Liabilities | 75,277 | 147,271 |
| | | |
| Commitments and Contingencies (Note 10) | | |
| Stockholders' Equity: | | |
| Common stock, par value \$1.00 per share, authorized 400,000,000 shares; issued 240,420,420 and 236,919,404 shares at September 30, 2010 and December 31, 2009, respectively | 240,420 | 236,919 |
| Capital in excess of par value | 1,349,839 | 1,300,998 |
| Retained earnings | 55,485 | 951,647 |
| Treasury stock at cost, 6,898,139 and 6,168,705 shares at September 30, 2010 and December 31, 2009, respectively | (85,551) | (69,370) |
| Accumulated other comprehensive loss | (148,166) | (612,997) |
| | | |
| Stockholders' Equity - McDermott International, Inc. | 1,412,027 | 1,807,197 |
| Noncontrolling interest | 61,015 | 25,903 |

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| | | |
|--------------|---------------------|---------------------|
| Total Equity | 1,473,042 | 1,833,100 |
| TOTAL | \$ 2,348,167 | \$ 4,849,110 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**McDERMOTT INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-----------------------------------|--|-----------------------------------|
| | 2010 | 2009 (As adjusted) | 2010 | 2009 (As adjusted) |
| | (Unaudited) | | | |
| | (In thousands, except share and per share amounts) | | | |
| Revenues | \$ 732,095 | \$ 1,012,474 | \$ 1,864,121 | \$ 2,524,992 |
| Costs and Expenses: | | | | |
| Cost of operations | 565,996 | 855,235 | 1,421,041 | 2,167,526 |
| Loss (gain) on asset disposals and impairments net | 24,336 | (121) | 22,030 | (1,179) |
| Selling, general and administrative expenses | 56,099 | 59,175 | 159,911 | 167,354 |
| Total costs and expenses | 646,431 | 914,289 | 1,602,982 | 2,333,701 |
| Equity in Losses of Investees | (1,361) | (596) | (5,507) | (2,797) |
| Operating Income | 84,303 | 97,589 | 255,632 | 188,494 |
| Other income (expense): | | | | |
| Interest income (expense) net | (78) | 1,230 | (1,532) | 7,284 |
| Other expense net | (3,460) | (1,554) | (4,188) | (11,009) |
| Total other income (expense) | (3,538) | (324) | (5,720) | (3,725) |
| Income from continuing operations before provision for income taxes and noncontrolling interest | 80,765 | 97,265 | 249,912 | 184,769 |
| Provision for Income Taxes | 10,085 | 19,300 | 35,229 | 44,106 |
| Income from continuing operations before noncontrolling interest | 70,680 | 77,965 | 214,683 | 140,663 |
| Loss on disposal of discontinued operations, net of tax | (32,936) | | (123,356) | |
| Income (loss) from discontinued operations, net of tax | (7,094) | 42,051 | 89,048 | 155,555 |
| Total income (loss) from discontinued operations, net of tax | (40,030) | 42,051 | (34,308) | 155,555 |
| Net Income | 30,650 | 120,016 | 180,375 | 296,218 |
| Less: Net Income Attributable to Noncontrolling Interests | (9,847) | (1,909) | (23,597) | (7,864) |

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| | | | | |
|--|-----------|------------|------------|------------|
| Net Income Attributable to McDermott International, Inc. | \$ 20,803 | \$ 118,107 | \$ 156,778 | \$ 288,354 |
|--|-----------|------------|------------|------------|

Earnings per Share: