

MCDERMOTT INTERNATIONAL INC

Form 10-Q

August 11, 2008

---

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(Mark One)

F O R M 1 0 - Q

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

For the quarterly period ended June 30, 2008

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)

REPUBLIC OF PANAMA  
(State or Other Jurisdiction of  
Incorporation or Organization)

72-0593134  
(I.R.S. Employer 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 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 July 31, 2008 was 227,331,365.

---

---

Table of Contents

McDERMOTT INTERNATIONAL, INC.

INDEX - FORM 10-Q

	PAGE
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1 – Condensed Consolidated Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets</u> <u>June 30, 2008 and December 31, 2007</u>	4
<u>Condensed Consolidated Statements of Income</u> <u>Three and Six Months Ended June 30, 2008 and 2007</u>	6
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>Three and Six Months Ended June 30, 2008 and 2007</u>	7
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Six Months Ended June 30, 2008 and 2007</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3 – Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4 – Controls and Procedures</u>	26
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1 – Legal Proceedings</u>	26
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 4 – Submission of Matters to a Vote of Securities Holders</u>	27
<u>Item 6 – Exhibits</u>	28
<u>SIGNATURES</u>	29
<u>Rule 13A-14(A) / 15D-14(A) Certification of Chief Executive Officer</u>	
<u>Rule 13A-14(A) / 15D-14(A) Certification of Chief Financial Officer</u>	
<u>Section 1350 Certification of Chief Executive Officer</u>	
<u>Section 1350 Certification of Chief Financial Officer</u>	



Table of Contents

PART I

McDERMOTT INTERNATIONAL, INC.

FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

3

---

Table of Contents

McDERMOTT INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2008 (Unaudited)	December 31, 2007
(In thousands)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 678,641	\$ 1,001,394
Restricted cash and cash equivalents (Note 1)	70,025	64,786
Investments	299,786	300,092
Accounts receivable – trade, net	786,518	770,024
Accounts and notes receivable – unconsolidated affiliates	2,929	2,303
Accounts receivable – other	142,052	116,744
Contracts in progress	309,796	194,292
Inventories (Note 1)	116,622	95,208
Deferred income taxes	121,370	160,783
Other current assets	66,728	51,874
Total Current Assets	2,594,467	2,757,500
Property, Plant and Equipment	2,102,607	2,004,138
Less accumulated depreciation	1,130,256	1,090,400
Net Property, Plant and Equipment	972,351	913,738
Investments	282,291	162,069
Goodwill	165,288	158,533
Deferred Income Taxes	99,089	134,292
Investments in Unconsolidated Affiliates	72,640	62,241
Other Assets	246,283	223,113
TOTAL	\$ 4,432,409	\$ 4,411,486

See accompanying notes to condensed consolidated financial statements.



Table of Contents

McDERMOTT INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2008 (Unaudited) (In thousands)	December 31, 2007
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current maturities of long-term debt	\$ 6,692	\$ 6,599
Accounts payable	481,014	455,659
Accrued employee benefits	283,057	343,812
Accrued liabilities – other	191,868	175,557
Accrued contract cost	93,906	93,281
Advance billings on contracts	1,219,977	1,463,223
Accrued warranty expense	106,634	101,330
Income taxes payable	61,479	57,071
Total Current Liabilities	2,444,627	2,696,532
Long-Term Debt	6,296	10,609
Accumulated Postretirement Benefit Obligation	92,586	96,253