

Noble Corp plc
Form 10-Q
November 03, 2017

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: September 30, 2017

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 number: 001-36211

Noble Corporation plc
(Exact name of registrant as specified in its charter)

England and Wales (Registered Number 08354954) 98-0619597
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification number)
Devonshire House, 1 Mayfair Place, London, England, W1J8AJ
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: +44 20 3300 2300
Commission file number: 001-31306

Noble Corporation
(Exact name of registrant as specified in its charter)

Cayman Islands 98-0366361
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification number)
Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327 George Town, Grand Cayman, Cayman Islands,
KY1-1206
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: (345) 938-0293

Indicate by check mark whether each 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 each 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 (§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 each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer,"

Edgar Filing: Noble Corp plc - Form 10-Q

“accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Noble Corporation plc:	<input checked="" type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Emerging growth company
Noble Corporation:	<input type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input checked="" type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Emerging growth company

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Number of shares outstanding and trading at October 25, 2017: Noble Corporation plc — 244,967,113

Number of shares outstanding: Noble Corporation — 261,245,693

Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation plc, a public limited company incorporated under the laws of England and Wales, meets the conditions set forth in General Instructions H(1) (a) and (b) to Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with the reduced disclosure format contemplated by paragraphs (b) and (c) of General Instruction H(2) of Form 10-Q.

TABLE OF CONTENTS

	Page
PART I <u>FINANCIAL INFORMATION</u>	
Item 1 <u>Financial Statements</u>	
Noble Corporation plc (Noble-UK) Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 and 2016</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	6
<u>Condensed Consolidated Statements of Equity for the nine months ended September 30, 2017 and 2016</u>	7
Noble Corporation (Noble-Cayman) Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016</u>	8
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016</u>	9
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 and 2016</u>	10
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	11
<u>Condensed Consolidated Statements of Equity for the nine months ended September 30, 2017 and 2016</u>	12
<u>Notes to Combined Condensed Consolidated Financial Statements</u>	13
Item 2 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	46
Item 4 <u>Controls and Procedures</u>	47
PART II <u>OTHER INFORMATION</u>	
Item 1 <u>Legal Proceedings</u>	49
Item 1A <u>Risk Factors</u>	49
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
Item 6 <u>Exhibits</u>	49
<u>SIGNATURES</u>	50
<u>Index to Exhibits</u>	51

This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation plc, a public limited company incorporated under the laws of England and Wales (“Noble-UK”), and Noble Corporation, a Cayman Islands company (“Noble-Cayman”). Information in this filing relating to Noble-Cayman is filed by Noble-UK and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-UK (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-UK. Since Noble-Cayman meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q, it is permitted to use the reduced disclosure format for wholly-owned subsidiaries of reporting companies as stated in General Instructions H(2). Accordingly, Noble-Cayman has omitted from this report the information called for by Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following items of Part II of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities).

This report should be read in its entirety as it pertains to each Registrant. Except where indicated, the Condensed Consolidated Financial Statements and related Notes are combined. References in this Quarterly Report on Form 10-Q to “Noble,” the “Company,” “we,” “us,” “our” and words of similar meaning refer collectively to Noble-UK and its condensed consolidated subsidiaries, including Noble-Cayman.

2

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 608,763	\$ 725,722
Accounts receivable, net	202,533	319,152
Taxes receivable	55,394	55,480
Prepaid expenses and other current assets	74,599	92,260
Total current assets	941,289	1,192,614
Property and equipment, at cost	12,421,765	12,364,888
Accumulated depreciation	(2,709,498)	(2,302,940)
Property and equipment, net	9,712,267	10,061,948
Other assets	244,663	185,555
Total assets	\$ 10,898,219	\$ 11,440,117
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 249,652	\$ 299,882
Accounts payable	83,986	108,224
Accrued payroll and related costs	46,844	48,383
Taxes payable	53,629	46,561
Interest payable	64,280	61,299
Other current liabilities	96,870	68,944
Total current liabilities	595,261	633,293
Long-term debt	3,795,327	4,040,229
Deferred income taxes	253,444	2,084
Other liabilities	289,330	297,066
Total liabilities	4,933,362	4,972,672
Commitments and contingencies (Note 12)		
Shareholders' equity		
Common stock, \$0.01 par value, ordinary shares; 244,965 and 243,239 shares outstanding as of September 30, 2017 and December 31, 2016, respectively	2,450	2,432
Additional paid-in capital	671,605	654,168
Retained earnings	4,662,468	5,154,221
Accumulated other comprehensive loss	(49,561)	(52,140)
Total shareholders' equity	5,286,962	5,758,681
Noncontrolling interests	677,895	708,764
Total equity	5,964,857	6,467,445
Total liabilities and equity	\$ 10,898,219	\$ 11,440,117

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Operating revenues				
Contract drilling services	\$259,740	\$373,257	\$885,931	\$1,841,321
Reimbursables and other	6,472	11,896	21,399	50,588
	266,212	385,153	907,330	1,891,909
Operating costs and expenses				
Contract drilling services	165,028	207,204	487,784	702,628
Reimbursables	3,834	9,142	13,374	39,446
Depreciation and amortization	137,607	155,242	409,919	455,907
General and administrative	15,331	15,773	49,869	54,346
Loss on impairment	—	—	—	16,616
	321,800	387,361	960,946	1,268,943
Operating income (loss)	(55,588)	(2,208)	(53,616)	622,966
Other income (expense)				
Interest expense, net of amount capitalized	(72,887)	(52,569)	(219,543)	(166,975)
Gain on extinguishment of debt, net	—	—	—	11,066
Interest income and other, net	389	540	4,286	(1,443)
Income (loss) from continuing operations before income taxes	(128,086)	(54,237)	(268,873)	465,614
Income tax benefit (provision)	28,605	10,002	(210,589)	(40,317)
Net income (loss) from continuing operations	(99,481)	(44,235)	(479,462)	425,297
Net loss from discontinued operations, net of tax	—	—	(1,486)	—
Net income (loss)	(99,481)	(44,235)	(480,948)	425,297
Net (income) loss attributable to noncontrolling interests	2,689	(10,846)	(10,888)	(52,027)
Net income (loss) attributable to Noble Corporation plc	\$(96,792)	\$(55,081)	\$(491,836)	\$373,270
Net income (loss) attributable to Noble Corporation plc				
Income (loss) from continuing operations	\$(96,792)	\$(55,081)	\$(490,350)	\$373,270
Net loss from discontinued operations, net of tax	—	—	(1,486)	—
Net income (loss) attributable to Noble Corporation plc	\$(96,792)	\$(55,081)	\$(491,836)	\$373,270
Per share data				
Basic:				
Income (loss) from continuing operations	\$(0.40)	\$(0.23)	\$(2.00)	\$1.48
Loss from discontinued operations	—	—	(0.01)	—
Net income (loss) attributable to Noble Corporation plc	\$(0.40)	\$(0.23)	\$(2.01)	\$1.48
Diluted:				
Income (loss) from continuing operations	\$(0.40)	\$(0.23)	\$(2.00)	\$1.48
Loss from discontinued operations	—	—	(0.01)	—
Net income (loss) attributable to Noble Corporation plc	\$(0.40)	\$(0.23)	\$(2.01)	\$1.48

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	\$(99,481)	\$(44,235)	\$(480,948)	\$425,297
Other comprehensive income (loss)				
Foreign currency translation adjustments	469	(543)	749	263
Foreign currency forward contracts	(65)	463	674	(605)
Amortization of deferred pension plan amounts (net of tax provision of \$165 and \$408 for the three months ended September 30, 2017 and 2016, respectively, and \$493 and \$1,227 for the nine months ended September 30, 2017 and 2016, respectively)	389	781	1,156	2,348
Other comprehensive income, net	793	701	2,579	2,006
Net comprehensive (income) loss attributable to noncontrolling interests	2,689	(10,846)	(10,888)	(52,027)
Comprehensive income (loss) attributable to Noble Corporation plc	\$(95,999)	\$(54,380)	\$(489,257)	\$375,276

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	September 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$(480,948)	\$425,297
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	409,919	455,907
Loss on impairment	—	16,616
Gain on extinguishment of debt, net	—	(11,066)
Deferred income taxes	343,962	(82,774)
Amortization of share-based compensation	21,788	27,222
Other long-term asset write-off	28,689	—
Net change in other assets and liabilities	(24,330)	129,166
Net cash provided by operating activities	299,080	960,368
Cash flows from investing activities		
Capital expenditures	(74,363)	(592,038)
Change in accrued capital expenditures	(12,337)	(41,235)
Proceeds from disposal of assets	1,306	23,390
Net cash used in investing activities	(85,394)	(609,883)
Cash flows from financing activities		
Repayments of debt	(300,000)	(322,207)
Debt issuance costs on senior notes and credit facility	(42)	—
Premiums paid on early repayment of long-term debt	—	(1,781)
Dividend payments	—	(47,534)
Dividends paid to noncontrolling interests	(26,293)	(61,980)
Employee stock transactions	(4,310)	(3,176)
Net cash used in financing activities	(330,645)	(436,678)
Net decrease in cash and cash equivalents	(116,959)	(86,193)
Cash and cash equivalents, beginning of period	725,722	512,245
Cash and cash equivalents, end of period	\$608,763	\$426,052
See accompanying notes to the unaudited condensed consolidated financial statements.		

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares		Additional Paid-in Capital	Retained Earnings	Accumulated		Noncontrolling Interests	Total Equity
	Balance	Par Value			Other Comprehensive Loss			
Balance at December 31, 2015	241,977	\$ 2,420	\$ 628,483	\$ 6,131,501	\$ (63,175)	\$ 723,001	\$ 7,422,230	
Employee related equity activity								
Amortization of share-based compensation	—	—	27,222	—	—	—	27,222	
Issuance of share-based compensation shares	1,256	12	(3,609)	—	—	—	(3,597)	
Tax benefit of equity transactions	—	—	(5,495)	—	—	—	(5,495)	
Net income	—	—	—	373,270	—	52,027	425,297	
Dividends paid to noncontrolling interests	—	—	—	—	—	(61,980)	(61,980)	
Dividends	—	—	—	(47,700)	—	—	(47,700)	
Other comprehensive income, net	—	—	—	—	2,006	—	2,006	
Balance at September 30, 2016	243,233	\$ 2,432	\$ 646,601	\$ 6,457,071	\$ (61,169)	\$ 713,048	\$ 7,757,983	
Balance at December 31, 2016	243,239	\$ 2,432	\$ 654,168	\$ 5,154,221	\$ (52,140)	\$ 708,764	\$ 6,467,445	
Employee related equity activity								
Amortization of share-based compensation	—	—	21,788	—	—	—	21,788	
Issuance of share-based compensation shares	1,726	18	(23)	—	—	—	(5)	
Shares withheld for taxes on equity transactions	—	—	(4,328)	—	—	—	(4,328)	
Net income (loss)	—	—	—	(491,836)	—	10,888	(480,948)	
Dividends paid to noncontrolling interests	—	—	—	—	—	(26,293)	(26,293)	
Dividends unpaid to noncontrolling interests	—	—	—	—	—	(15,464)	(15,464)	
Dividends ⁽¹⁾	—	—	—	83	—	—	83	
Other comprehensive income, net	—	—	—	—	2,579	—	2,579	
Balance at September 30, 2017	244,965	\$ 2,450	\$ 671,605	\$ 4,662,468	\$ (49,561)	\$ 677,895	\$ 5,964,857	

(1) Activity associated with dividend equivalents, which are related to 2016 performance awards to be paid upon vesting.

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$607,958	\$653,833
Accounts receivable, net	202,533	319,152
Taxes receivable	55,394	55,480
Prepaid expenses and other current assets	73,649	88,749
Total current assets	939,534	1,117,214
Property and equipment, at cost	12,421,765	12,364,888
Accumulated depreciation	(2,709,498)	(2,302,940)
Property and equipment, net	9,712,267	10,061,948
Other assets	244,748	178,552
Total assets	\$10,896,549	\$11,357,714
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	\$249,652	\$299,882
Accounts payable	83,875	107,868
Accrued payroll and related costs	46,844	48,319
Taxes payable	53,203	46,561
Interest payable	64,280	61,299
Other current liabilities	96,788	67,312
Total current liabilities	594,642	631,241
Long-term debt	3,795,327	4,040,229
Deferred income taxes	253,444	2,084
Other liabilities	289,330	292,183
Total liabilities	4,932,743	4,965,737
Commitments and contingencies (Note 12)		
Shareholder equity		
Common stock, \$0.01 par value, ordinary shares; 261,246 shares outstanding as of September 30, 2017 and December 31, 2016	26,125	26,125
Capital in excess of par value	615,822	594,091
Retained earnings	4,693,525	5,115,137
Accumulated other comprehensive loss	(49,561)	(52,140)
Total shareholder equity	5,285,911	5,683,213
Noncontrolling interests	677,895	708,764
Total equity	5,963,806	6,391,977
Total liabilities and equity	\$10,896,549	\$11,357,714

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues				
Contract drilling services	\$259,740	\$373,257	\$885,931	\$1,841,321
Reimbursables and other	6,472	11,896	21,399	51,288
	266,212	385,153	907,330	1,892,609
Operating costs and expenses				
Contract drilling services	164,568	206,072	486,441	697,596
Reimbursables	3,834	9,142	13,374	39,446
Depreciation and amortization	136,651	155,242	407,002	455,853
General and administrative	9,823			