

MCDERMOTT INTERNATIONAL INC
Form 10-Q
May 10, 2012
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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 March 31, 2012

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.)

757 N. ELDRIDGE PKWY

HOUSTON, TEXAS
(Address of Principal Executive Offices)

77079
(Zip Code)

Registrant's Telephone Number, Including Area Code: (281) 870-5000

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 April 27, 2012 was 235,575,847.

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements
McDERMOTT INTERNATIONAL, INC.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended March 31,	
	2012	2011
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues	\$ 727,678	\$ 899,240
Costs and Expenses:		
Cost of operations	597,434	747,225
Selling, general and administrative expenses	46,611	55,369
Gain on asset disposals	(226)	(225)
Total costs and expenses	643,819	802,369
Equity in Income (Loss) of Unconsolidated Affiliates	(3,683)	3,427
Operating Income	80,176	100,298
Other Income (Expense):		
Interest income	1,634	449
Gain (loss) on foreign currency net	9,441	(4,232)
Other expense net	(581)	(1,171)
Total other income (expense)	10,494	(4,954)
Income from continuing operations before provision for income taxes and noncontrolling interests	90,670	95,344
Provision for Income Taxes	28,743	22,579
Income from continuing operations before noncontrolling interests	61,927	72,765
Gain on disposal of discontinued operations	257	
Income from discontinued operations, net of tax	3,240	1,662
Total income from discontinued operations, net of tax	3,497	1,662
Net Income	65,424	74,427
Less: Net Income Attributable to Noncontrolling Interests	2,666	4,007
Net Income Attributable to McDermott International, Inc.	\$ 62,758	\$ 70,420
Earnings per Common Share:		

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Basic:		
Income from continuing operations, less noncontrolling interests	0.25	0.29
Income from discontinued operations, net of tax	0.01	0.01
Net income attributable to McDermott International, Inc.	0.27	0.30
Diluted:		
Income from continuing operations, less noncontrolling interests	0.25	0.29
Income from discontinued operations, net of tax	0.01	0.01
Net income attributable to McDermott International, Inc.	0.26	0.30
Shares used in the computation of earnings per share:		
Basic	235,208,252	233,841,075
Diluted	237,332,627	236,745,578

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2012 2011 (Unaudited)	
	(In thousands)	
Net Income	\$ 65,424	\$ 74,427
Other comprehensive income (loss), net of tax:		
Amortization of benefit plan costs	3,045	4,963
Unrealized gain on investments	697	699
Realized loss on investments		8
Translation adjustments	3,113	2,763
Unrealized gain (loss) on derivatives	(5,887)	8,067
Realized (gain) loss on derivatives	1,294	(223)
Other comprehensive income, net of tax ⁽¹⁾	2,262	16,277
Total Comprehensive Income	\$ 67,686	\$ 90,704
Less: Comprehensive Income Attributable to Noncontrolling Interests	2,819	5,126
Comprehensive Income Attributable to McDermott International, Inc.	\$ 64,867	\$ 85,578

(1) The tax impact on amounts presented in other comprehensive income are not significant.
See accompanying notes to condensed consolidated financial statements.

Table of Contents**McDERMOTT INTERNATIONAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2012	December 31, 2011
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 788,965	\$ 570,854
Restricted cash and cash equivalents	24,832	21,962
Investments	54,708	109,522
Accounts receivable trade, net	388,373	445,808
Accounts receivable other	61,140	53,386
Contracts in progress	259,664	287,390
Deferred income taxes	15,097	11,931
Assets held for sale		3,197
Other current assets	40,680	33,135
Total Current Assets	1,633,459	1,537,185
Property, Plant and Equipment	2,019,289	1,958,877
Less accumulated depreciation	(878,048)	(857,012)
Net Property, Plant and Equipment	1,141,241	1,101,865
Assets Held for Sale		55,571
Investments	30,991	29,484
Goodwill	41,202	41,202
Investments in Unconsolidated Affiliates	39,912	42,659
Other Assets	178,589	184,848
Total Assets	\$ 3,065,394	\$ 2,992,814
Liabilities and Equity		
Current Liabilities:		
Notes payable and current maturities of long-term debt	\$ 10,061	\$ 8,941
Accounts payable	272,746	315,514
Accrued liabilities	307,797	309,515
Advance billings on contracts	358,052	320,438
Deferred income taxes	12,396	13,187
Income taxes payable	67,316	54,181
Total Current Liabilities	1,028,368	1,021,776
Long-Term Debt	82,180	84,794
Self-Insurance	24,969	23,585
Pension Liability	20,134	21,295
Other Liabilities	122,416	107,652
Commitments and Contingencies		
Stockholders' Equity:		
	243,085	242,416

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Common stock, par value \$1.00 per share, authorized 400,000,000 shares; issued 243,085,098 and 242,416,424 shares at March 31, 2012 and December 31, 2011, respectively		
Capital in excess of par value	1,379,153	1,375,976
Retained earnings	301,861	239,103
Treasury stock, at cost, 7,811,017 and 7,359,983 shares at March 31, 2012 and December 31, 2011, respectively	(98,011)	(95,827)
Accumulated other comprehensive loss	(99,921)	(102,030)
Stockholders' Equity McDermott International, Inc.	1,726,167	1,659,638
Noncontrolling Interests	61,160	74,074
Total Equity	1,787,327	1,733,712
Total Liabilities and Equity	\$ 3,065,394	\$ 2,992,814

See accompanying notes to condensed consolidated financial statements.

Table of Contents**MCDERMOTT INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended	
	March 31,	2011
	2012	(Unaudited)
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 65,424	\$ 74,427
Less: Income from discontinued operations, net of tax	3,497	1,662
Income from continuing operations	61,927	72,765
Non-cash items included in net income:		
Depreciation and amortization	23,276	20,525
Equity in (income) loss of unconsolidated affiliates	3,683	