

ROWAN COMPANIES INC  
Form 10-Q  
August 04, 2010

---

---

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 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 \_\_\_\_\_

1-5491  
Commission File Number

ROWAN COMPANIES, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

75-0759420  
(I.R.S. Employer  
Identification No.)

2800 Post Oak Boulevard, Suite  
5450 Houston, Texas  
(Address of principal executive offices)

77056-6189  
(Zip Code)

(713) 621-7800  
Registrant's telephone number, including area code

Inapplicable  
(Former name, former address and former fiscal year, if changed since last report)

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such

Edgar Filing: ROWAN COMPANIES INC - Form 10-Q

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  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 common stock, \$0.125 par value, outstanding at July 31, 2010, was 114,632,793.

---

Table of Contents

ROWAN COMPANIES, INC.

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited):	
<u>Condensed Consolidated Balance Sheets – June 30, 2010, and December 31, 2009</u>	1
<u>Condensed Consolidated Statements of Income – Three and six months ended June 30, 2010 and 2009</u>	3
<u>Condensed Consolidated Statements of Cash Flows – Six months ended June 30, 2010 and 2009</u>	4
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	5
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	27
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6. <u>Exhibits</u>	29
<u>SIGNATURES</u>	30

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

ROWAN COMPANIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share amounts)  
(Unaudited)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$610,939	\$639,681
Receivables, net - trade and other (Note 10)	352,988	343,642
Inventories, net - at cost:		
Raw materials and supplies	275,760	309,682
Work-in-progress	105,289	141,036
Finished goods	460	941
Prepaid expenses and other current assets	75,791	76,744
Deferred tax assets - net	42,253	38,071
<b>Total current assets</b>	<b>1,463,480</b>	<b>1,549,797</b>
<b>PROPERTY, PLANT AND EQUIPMENT - at cost:</b>		
Drilling equipment	4,202,076	3,975,006
Manufacturing plant and equipment	250,424	251,882
Construction in progress	502,819	528,669
Other property and equipment	147,077	144,337
Property, plant and equipment - gross	5,102,396	4,899,894
Less accumulated depreciation and amortization	1,403,954	1,320,409
Property, plant and equipment - net	3,698,442	3,579,485
Other assets	76,641	81,412
<b>TOTAL ASSETS</b>	<b>\$5,238,563</b>	<b>\$5,210,694</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ROWAN COMPANIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS (continued)  
 (In thousands, except share amounts)  
 (Unaudited)

	June 30, 2010	December 31, 2009
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$58,563	\$64,922
Accounts payable - trade	109,500	124,562
Deferred revenues	116,041	139,398
Billings in excess of costs and estimated profits on uncompleted contracts	21,602	25,226
Accrued compensation and related employee costs	59,887	110,526
Accrued income taxes	11,441	40,990
Accrued interest	19,198	20,100
Other current liabilities	42,128	42,548
<b>Total current liabilities</b>	<b>438,360</b>	<b>568,272</b>
Long-term debt - less current maturities	761,552	787,490
Other liabilities	289,794	278,862
Deferred income taxes - net	476,028	465,700
Commitments and contingent liabilities (Notes 7 and 8)	-	-
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$1.00 par value, 5,000,000 shares authorized, issuable in series:		
Series A Junior Preferred Stock, 1,500,000 shares authorized, none issued	-	-
Common stock, \$0.125 par value, 150,000,000 shares authorized; 114,518,371 shares and 113,885,661 shares issued at June 30, 2010 and December 31, 2009, respectively	14,315	14,237
Additional paid-in capital	1,087,756	1,078,337
Retained earnings	2,325,065	2,169,526
Cost of 142,066 and 52,342 treasury shares, respectively	(3,986 )	(1,409 )
Accumulated other comprehensive loss	(150,321 )	(150,321 )
<b>Total stockholders' equity</b>	<b>3,272,829</b>	<b>3,110,370</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$5,238,563</b>	<b>\$5,210,694</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ROWAN COMPANIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>REVENUES:</b>				
Drilling services (Note 10)	\$328,277	\$320,807	\$659,261	\$701,177
Manufacturing sales and services	161,759	161,353	263,180	275,791
Total revenues	490,036	482,160	922,441	976,968
<b>COSTS AND EXPENSES:</b>				
Drilling services (excluding items below)	139,008	136,840	275,555	282,221
Manufacturing sales and services (excluding items below)	138,102	147,388	222,672	238,196
Depreciation and amortization	46,458	42,609	91,950	83,108
Selling, general and administrative	36,077	24,720	61,874	49,296
Loss (gain) on disposals of property and equipment	34	60	(95 )	(4,641 )
Material charge - manufacturing inventories (Note 10)	-	-	42,024	-
Total costs and expenses	359,679	351,617	693,980	648,180
<b>INCOME FROM OPERATIONS</b>	<b>130,357</b>	<b>130,543</b>	<b>228,461</b>	<b>328,788</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense	(12,903 )	(2,457 )	(25,873 )	(5,600 )
Interest capitalized	7,652	2,343	14,943	5,107
Interest income	253	201	434	532
Other - net	(1,443 )	2,422	102	3,836
Total other income (expense) - net	(6,441 )	2,509	(10,394 )	3,875
<b>INCOME BEFORE INCOME TAXES</b>	<b>123,916</b>	<b>133,052</b>	<b>218,067</b>	<b>332,663</b>
Provision for income taxes	33,000	36,469	62,528	104,380
<b>NET INCOME</b>	<b>\$90,916</b>	<b>\$96,583</b>	<b>\$155,539</b>	<b>\$228,283</b>
<b>PER SHARE AMOUNTS:</b>				
Net income - basic	\$.80	\$.85	\$1.38	\$2.01
Net income - diluted	\$.79	\$.85	\$1.36	\$2.01

See Notes to Unaudited Condensed Consolidated Financial Statements.



Table of Contents

ROWAN COMPANIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
<b>CASH PROVIDED BY OPERATIONS:</b>		
Net income	\$ 155,539	\$ 228,283
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	91,950	83,108
Deferred income taxes	6,146	42,225
Stock-based compensation expense	7,049	6,004
Provision for pension and postretirement benefits	19,329	23,431
Contributions to pension plans	(42,110 )	(16,685 )
Postretirement benefit claims paid	(1,713 )	(1,740 )
Gain on disposals of property, plant and equipment	(95 )	(4,641 )
Changes in current assets and liabilities:		
Receivables - trade and other	(9,346 )	107,881
Inventories	70,597	24,397
Prepaid expenses and other current assets	953	(37,182 )
Accounts payable	(17,242 )	(156,294 )
Accrued income taxes	(29,549 )	(53,410 )
Deferred revenues	(23,357 )	15,344
Billings in excess of costs and estimated profits on uncompleted contracts	(3,624 )	(9,194 )
Other current liabilities	(12,873 )	(24,648 )
Net changes in other noncurrent assets and liabilities	(1,369 )	(1,949 )
Net cash provided by operations	210,285	224,930
<b>CASH USED IN INVESTING ACTIVITIES:</b>		
Capital expenditures	(210,383 )	(210,265 )