

ROWAN COMPANIES INC
Form 10-Q
November 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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 R 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 files). Yes R No £

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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 October 31, 2011, was 124,980,208.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$892,560	\$437,479
Restricted cash	-	15,265
Receivables - trade and other	325,164	269,896
Prepaid expenses and other current assets	48,427	31,646
Deferred tax assets - net	-	36,945
Assets of discontinued operations (Note 2)	39,940	984,022
Total current assets	1,306,091	1,775,253
PROPERTY, PLANT AND EQUIPMENT - at cost:		
Drilling equipment	5,346,519	3,799,902
Construction in progress	1,171,261	1,584,802
Other property and equipment	140,542	145,698
Property, plant and equipment - gross	6,658,322	5,530,402
Less accumulated depreciation and amortization	1,310,464	1,185,880
Property, plant and equipment - net	5,347,858	4,344,522
Other assets	104,580	97,682
TOTAL ASSETS	\$6,758,529	\$6,217,457

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

	September 30, 2011	December 31, 2010
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$45,023	\$52,166
Accounts payable - trade	95,574	66,766
Deferred revenues	39,721	7,748
Accrued compensation and related employee costs	26,765	77,926
Accrued income taxes	223,199	10,847
Accrued interest	11,016	25,962
Other current liabilities	6,692	9,804
Liabilities of discontinued operations (Note 2)	34,030	278,011
Total current liabilities	482,020	529,230
Long-term debt - less current maturities	1,102,935	1,133,745
Other liabilities	291,849	251,145
Deferred income taxes - net	483,202	551,027
Commitments and contingent liabilities (Note 6)	-	-
STOCKHOLDERS' EQUITY:		
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; 127,548,322 shares and 126,346,627 shares issued at September 30, 2011 and December 31, 2010, respectively	15,944	15,794
Additional paid-in capital	1,470,850	1,433,999
Retained earnings	3,141,261	2,449,521
Cost of 2,584,114 and 52,408 treasury shares, respectively	(84,037)	(1,509)
Accumulated other comprehensive loss	(145,495)	(145,495)
Total stockholders' equity	4,398,523	3,752,310
TOTAL LIABILITIES AND EQUITY	\$6,758,529	\$6,217,457

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2011	2010	2011	2010
REVENUES	\$234,698	\$238,559	\$664,161	\$809,239
COSTS AND EXPENSES:				
Direct operating costs (excluding items below)	129,767	106,941	345,558	316,849
Depreciation and amortization	50,306	35,065	129,267	102,447
Selling, general and administrative	22,629	20,640	65,172	55,258
Loss (gain) on disposals of property and equipment	14	695	(1,408)	406
Charges to settle litigation (Note 8)	20	750	6,120	5,250
Total costs and expenses	202,736	164,091	544,709	480,210
INCOME FROM OPERATIONS	31,962	74,468	119,452	329,029
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(4,233)	(8,130)	(17,001)	(19,061)
Interest income	277	449	338	821
Other - net	(458)	(307)	(1,177)	2
Total other income (expense) - net	(4,414)	(7,988)	(17,840)	(18,238)
INCOME FROM CONTINUING OPERATIONS				
BEFORE INCOME TAXES	27,548	66,480	101,612	310,791
Provision (benefit) for income taxes	(3,876)	6,338	(1,010)	78,270
NET INCOME FROM CONTINUING OPERATIONS	31,424	60,142	102,622	232,521
DISCONTINUED OPERATIONS (Note 2):				
Income (loss) from discontinued operations, net of tax	(1,213)	7,029	1,047	(9,811)
Gain on sale of discontinued operations, net of tax	163,598	-	588,071	-
Discontinued operations, net of tax	162,385	7,029	589,118	(9,811)
NET INCOME	\$193,809	\$67,171	\$691,740	\$222,710
INCOME (LOSS) PER SHARE - BASIC:				
Income from continuing operations	\$0.25	\$0.52	\$0.82	\$2.03
Discontinued operations	\$1.30	\$0.06	\$4.69	\$(0.09)
Net income	\$1.55	\$0.58	\$5.51	\$1.95
INCOME (LOSS) PER SHARE - DILUTED:				
Income from continuing operations	\$0.25	\$0.51	\$0.81	\$2.00
Discontinued operations	\$1.28	\$0.06	\$4.64	\$(0.08)
Net income	\$1.53	\$0.57	\$5.45	\$1.92

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

	Nine Months Ended September 30,	
	2011	2010
CASH PROVIDED BY (USED IN) OPERATIONS:		
Net income	\$691,740	\$222,710
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	150,236	139,303
Material charges (Note 2)	-	42,024
Deferred income taxes	(30,880)	12,246
Provision for pension and postretirement benefits	12,059	29,112
Stock-based compensation expense	14,264	11,330
Gain on disposals of property, plant and equipment	(3,932)	575
Gain on sale of manufacturing operations	(662,448)	-
Gain on sale of land drilling operations	(214,803)	-
Postretirement benefit claims paid	(2,188)	