

PATTERSON UTI ENERGY INC
Form 10-Q
October 31, 2016

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, 2016

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 0-22664

Patterson-UTI Energy, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-2504748
(I.R.S. Employer
Identification No.)

10713 W. SAM HOUSTON PKWY N, SUITE 800

HOUSTON, TEXAS
(Address of principal executive offices)

77064
(Zip Code)

(281) 765-7100

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(Registrant's telephone number, including area code)

450 GEARS ROAD, SUITE 500, HOUSTON, TEXAS 77067

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

148,110,448 shares of common stock, \$0.01 par value, as of October 27, 2016

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

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PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements

The following unaudited condensed consolidated financial statements include all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share data)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$36,972	\$113,346
Accounts receivable, net of allowance for doubtful accounts of \$3,191 and \$3,545 at September 30, 2016 and December 31, 2015, respectively	146,013	219,672
Federal and state income taxes receivable	3,838	33,454
Inventory	19,851	14,716
Deferred tax assets, net	34,897	65,121
Other	38,722	40,227
Total current assets	280,293	486,536
Property and equipment, net	3,511,740	3,920,708
Goodwill and intangible assets	89,877	92,609
Deposits on equipment purchases	17,700	22,367
Other	9,263	7,264
Total assets	\$3,908,873	\$4,529,484
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$82,163	\$82,771
Accrued expenses	154,228	161,611
Current portion of long-term debt, net of debt issuance cost of \$483 at December 31, 2015	—	63,267
Total current liabilities	236,391	307,649
Borrowings under revolving credit facility	15,000	—
Long-term debt, net of debt issuance cost of \$1,649 and \$3,350 at September 30, 2016 and December 31, 2015, respectively	598,351	787,900
Deferred tax liabilities, net	724,564	863,833
Other	10,441	8,971
Total liabilities	1,584,747	1,968,353

Commitments and contingencies (see Note 9)

Stockholders' equity:

Preferred stock, par value \$.01; authorized 1,000,000 shares, no shares issued	—	—
Common stock, par value \$.01; authorized 300,000,000 shares with 191,494,741 and 190,374,801 issued and 148,118,449 and 147,167,561 outstanding at September 30, 2016 and December 31, 2015, respectively	1,915	1,904
Additional paid-in capital	1,034,768	1,011,811
Retained earnings	2,197,424	2,458,554
Accumulated other comprehensive income (loss)	675	(4,093)
Treasury stock, at cost, 43,376,292 and 43,207,240 shares at September 30, 2016 and December 31, 2015, respectively	(910,656)	(907,045)
Total stockholders' equity	2,324,126	2,561,131
Total liabilities and stockholders' equity	\$3,908,873	\$4,529,484

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating revenues:				
Contract drilling	\$123,684	\$261,817	\$407,578	\$951,616
Pressure pumping	78,165	154,407	248,428	580,752
Oil and natural gas	4,284	6,027	12,973	20,343
Total operating revenues	206,133	422,251	668,979	1,552,711
Operating costs and expenses:				
Contract drilling	74,517	136,718	219,218	503,376
Pressure pumping	77,221	138,597	234,580	494,078
Oil and natural gas	1,846	2,519	5,586	8,096
Depreciation, depletion, amortization and impairment	163,464	332,151	511,209	689,457
Impairment of goodwill	—	124,561	—	124,561
Selling, general and administrative	16,612	18,582	51,671	58,335
Other operating (income) expense, net	(4,118)	(1,362)	(10,285)	4,984
Total operating costs and expenses	329,542	751,766	1,011,979	1,882,887
Operating loss	(123,409)	(329,515)	(343,000)	(330,176)
Other income (expense):				
Interest income	63	323	273	924
Interest expense, net of amount capitalized	(10,244)	(9,254)	(31,722)	(27,044)
Other	19	16	52	16
Total other expense	(10,162)	(8,915)	(31,397)	(26,104)
Loss before income taxes	(133,571)	(338,430)	(374,397)	(356,280)
Income tax benefit	(49,428)	(112,452)	(133,885)	(120,452)
Net loss	\$(84,143)	\$(225,978)	\$(240,512)	\$(235,828)
Net loss per common share:				
Basic	\$(0.58)	\$(1.54)	\$(1.65)	\$(1.61)
Diluted	\$(0.58)	\$(1.54)	\$(1.65)	\$(1.61)
Weighted average number of common shares outstanding:				
Basic	146,326	145,662	146,014	145,317
Diluted	146,326	145,662	146,014	145,317
Cash dividends per common share	\$0.02	\$0.10	\$0.14	\$0.30

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	\$(84,143)	\$(225,978)	\$(240,512)	\$(235,828)
Other comprehensive income (loss), net of taxes of \$0 for all periods:				
Foreign currency translation adjustment	(2,379)	(2,909)	4,768	(8,454)
Total comprehensive loss	\$(86,522)	\$(228,887)	\$(235,744)	\$(244,282)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(unaudited, in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other		Total
	Number of Shares	Amount			Comprehensive Income (Loss)	Treasury Stock	
Balance, December 31, 2015	190,375	\$ 1,904	\$ 1,011,811	\$ 2,458,554	\$ (4,093)	\$ (907,045)	2,561,131
Net loss	—	—	—	(240,512)	—	—	(240,512)
Foreign currency translation adjustment	—	—	—	—	4,768	—	4,768
Shares issued for acquisition	354	3	6,730	—	—	—	6,733
Issuance of restricted stock	785	8	(8)	—	—	—	—
Vesting of restricted stock units	15	—	—	—	—	—	—
Forfeitures of restricted stock	(34)	—	—	—	—	—	—