

Helmerich & Payne, Inc.
Form 10-Q
August 05, 2016
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For quarterly period ended: June 30, 2016

OR

- o 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: 1-4221

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

73-0679879
(I.R.S. Employer I.D. Number)

1437 South Boulder Avenue, Tulsa, Oklahoma, 74119

(Address of principal executive office)(Zip Code)

(918) 742-5531

(Registrant's telephone number, including area code)

N/A

(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 (§ 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 small reporting company. See the definitions of large accelerated filer, accelerated filer and small 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 ☒

CLASS
Common Stock, \$0.10 par value

OUTSTANDING AT July 31, 2016
108,066,141

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page No.
<u>PART I.</u>	
	<u>FINANCIAL INFORMATION</u>
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Consolidated Condensed Balance Sheets as of June 30, 2016 and September 30, 2015</u> 3
	<u>Consolidated Condensed Statements of Operations for the Three and Nine Months Ended June 30, 2016 and 2015</u> 4
	<u>Consolidated Condensed Statements of Comprehensive Income for the Three and Nine Months Ended June 30, 2016 and 2015</u> 5
	<u>Consolidated Condensed Statements of Cash Flows for the Nine Months Ended June 30, 2016 and 2015</u> 6
	<u>Consolidated Condensed Statement of Shareholders' Equity for the Nine Months Ended June 30, 2016</u> 7
	<u>Notes to Consolidated Condensed Financial Statements</u> 8-33
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 34-42
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 43
<u>Item 4.</u>	<u>Controls and Procedures</u> 43
<u>PART II.</u>	<u>OTHER INFORMATION</u>
<u>Item 1.</u>	<u>Legal Proceedings</u> 44
<u>Item 1A.</u>	<u>Risk Factors</u> 44-46
<u>Item 6.</u>	<u>Exhibits</u> 47
<u>Signatures</u>	48

Table of Contents

PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(in thousands, except share and per share amounts)

ITEM 1. FINANCIAL STATEMENTS

	June 30, 2016	September 30, 2015 (as adjusted)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 907,032	\$ 729,384
Short-term investments	49,565	45,543
Accounts receivable, less reserve of \$1,828 at June 30, 2016 and \$6,181 at September 30, 2015	351,317	445,948
Inventories	128,885	128,541
Deferred income taxes		17,206
Prepaid expenses and other	79,021	64,475
Assets held for sale	21,772	
Current assets of discontinued operations	80	8,097
Total current assets	1,537,672	1,439,194
Investments	99,898	104,354
Property, plant and equipment, net	5,306,434	5,563,170
Other assets	32,515	40,524
Total assets	\$ 6,976,519	\$ 7,147,242
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Long-term debt due within one year less unamortized debt issuance costs	\$ 39,234	\$ 39,094
Accounts payable	92,692	108,169
Accrued liabilities	194,645	197,557
Current liabilities of discontinued operations	38	3,377
Total current liabilities	326,609	348,197
Noncurrent liabilities:		
Long-term debt less unamortized discount and debt issuance costs	493,150	492,443
Deferred income taxes	1,358,093	1,295,916
Other	93,221	110,120
Noncurrent liabilities of discontinued operations	3,984	4,720
Total noncurrent liabilities	1,948,448	1,903,199
Shareholders' equity:		
	11,138	11,099

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Common stock, \$.10 par value, 160,000,000 shares authorized, 111,383,982 shares and 110,987,546 shares issued as of June 30, 2016 and September 30, 2015, respectively and 108,063,579 shares and 107,767,915 shares outstanding as of June 30, 2016 and September 30, 2015, respectively

Preferred stock, no par value, 1,000,000 shares authorized, no shares issued

Additional paid-in capital	442,883	420,141
Retained earnings	4,438,748	4,648,346
Accumulated other comprehensive loss	(3,156)	(1,377)
Treasury stock, at cost	(188,151)	(182,363)
Total shareholders' equity	4,701,462	4,895,846
Total liabilities and shareholders' equity	\$ 6,976,519	\$ 7,147,242

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

		Three Months Ended June 30,		Nine Months Ended June 30,	
		2016	2015 (as adjusted)	2016	2015 (as adjusted)
Operating revenues:					
Drilling U.S. Land	\$	285,028	\$ 494,615	\$ 1,004,116	\$ 2,103,125
Drilling Offshore		30,492	57,071	106,697	189,386
Drilling International Land		47,983	106,551	171,529	304,262
Other		2,983	3,208	10,182	11,129
		366,486	661,445	1,292,524	2,607,902
Operating costs and other:					
Operating costs, excluding depreciation		186,146	350,640	684,401	1,377,202
Depreciation		138,690	144,965	422,336	433,445
Asset impairment charge		6,250		6,250	
General and administrative		46,496	29,253	112,381	96,984
Research and development		2,707	3,329	7,941	12,344
Income from asset sales		(547)	(1,791)	(7,820)	(8,819)
		379,742	526,396	1,225,489	1,911,156
Operating income (loss) from continuing operations		(13,256)	135,049	67,035	696,746
Other income (expense):					
Interest and dividend income		778	1,588	2,310	4,447
Interest expense		(6,407)	(6,136)	(16,652)	(9,326)
Other		534	(281)	926	88
		(5,095)	(4,829)	(13,416)	(4,791)
Income (loss) from continuing operations before income taxes		(18,351)	130,220	53,619	691,955
Income tax provision		2,842	39,321	33,740	243,891
Income (loss) from continuing operations		(21,193)	90,899	19,879	448,064
Income (loss) from discontinued operations					
before income taxes		2,193	(27)	2,241	(118)
Income tax provision		2,200		6,113	(77)
Loss from discontinued operations		(7)	(27)	(3,872)	(41)
NET INCOME (LOSS)	\$	(21,200)	\$ 90,872	\$ 16,007	\$ 448,023
Basic earnings per common share:					
Income (loss) from continuing operations	\$	(0.20)	\$ 0.84	\$ 0.18	\$ 4.13
Loss from discontinued operations				(0.04)	
Net income (loss)	\$	(0.20)	\$ 0.84	\$ 0.14	\$ 4.13

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Diluted earnings per common share:						
Income (loss) from continuing operations	\$	(0.20)	\$	0.83	\$	0.17
Loss from discontinued operations					\$	4.10
					(0.04)	
Net income (loss)	\$	(0.20)	\$	0.83	\$	0.13
					\$	4.10
Weighted average shares outstanding:						
Basic		108,047		107,652		107,970
Diluted		108,047		108,469		108,523
						107,759
						108,571
Dividends declared per common share	\$	0.7000	\$	0.6875	\$	2.0750
					\$	2.0625

The accompanying notes are an integral part of these statements.

[Table of Contents](#)

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015 (as adjusted)	2016	2015 (as adjusted)
Net income (loss)	\$ (21,200)	\$ 90,872	\$ 16,007	\$ 448,023
Other comprehensive income (loss), net of income taxes:				
Unrealized appreciation (depreciation) on securities, net of income taxes of \$6.1 million and (\$1.7) million at June 30, 2016 and (\$2.1) million and (\$29.5) million at June 30, 2015	9,744	(3,307)	(2,719)	(46,754)
Minimum pension liability adjustments, net of income taxes of \$0.1 million and \$0.5 million at June 30, 2016 and \$0.1 million and \$0.3 million at June 30, 2015	314	197	940	590
Other comprehensive income (loss)	10,058	(3,110)	(1,779)	(46,164)
Comprehensive income (loss)	\$ (11,142)	\$ 87,762	\$ 14,228	\$ 401,859

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended June 30,	
	2016	2015 (as adjusted)
OPERATING ACTIVITIES:		
Net income	\$ 16,007	\$ 448,023
Adjustment for loss from discontinued operations	3,872	41
Income from continuing operations	19,879	448,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	422,336	433,445
Asset impairment charge	6,250	
Amortization of debt discount and debt issuance costs	879	485
Recovery of bad debt	(3,067)	
Stock-based compensation	19,661	19,120
Pension settlement charge	3,343	1,200
Other	255	
Income from asset sales	(7,820)	(8,819)
Deferred income tax expense	77,886	145,986
Change in assets and liabilities:		
Accounts receivable	97,698	229,837
Inventories	(344)	(22,026)
Prepaid expenses and other	(6,537)	(30,362)
Accounts payable	(13,643)	(41,134)
Accrued liabilities	14,632	(64,975)
Deferred income taxes	2,673	317
Other noncurrent liabilities	(18,741)	40,459
Net cash provided by operating activities from continuing operations	615,340	1,151,597
Net cash provided by (used in) operating activities from discontinued operations	70	(41)
Net cash provided by operating activities	615,410	1,151,556
INVESTING ACTIVITIES:		
Capital expenditures	(219,549)	(971,602)
Purchase of short-term investments	(36,958)	
Proceeds from sales of short-term investments	32,681	
Proceeds from asset sales	12,804	17,757
Net cash used in investing activities	(211,022)	(953,845)
FINANCING ACTIVITIES:		
Proceeds from senior notes, net of discount		497,125
Debt issuance costs	(32)	(5,202)
Net increase in bank overdraft		10,824
Proceeds on short-term debt		1,002
Payments on short-term debt		(1,002)
Dividends paid	(224,040)	(223,827)
Repurchase of common stock		(59,654)
Exercise of stock options, net of tax withholding	483	(609)

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Tax withholdings related to net share settlements of restricted stock	(3,912)	(5,104)
Excess tax benefit from stock-based compensation	761	2,969
Net cash provided by (used in) financing activities	(226,740)	216,522
Net increase in cash and cash equivalents	177,648	414,233
Cash and cash equivalents, beginning of period	729,384	360,307
Cash and cash equivalents, end of period	\$ 907,032	\$ 774,540

The accompanying notes are an integral part of these statements.

[Table of Contents](#)

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

NINE MONTHS ENDED JUNE 30, 2016

(Unaudited)

(in thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders Equity
Balance, September 30, 2015, as adjusted	110,987	\$ 11,099	\$ 420,141	\$ 4,648,346	\$ (1,377)	3,220	\$ (182,363)	\$ 4,895,846
Net income				16,007				16,007
Other comprehensive loss					(1,779)			(1,779)
Dividends declared (\$2.075 per share)				(225,605)				(225,605)
Exercise of stock options, net of tax withholding	204	20	6,263			97	(5,800)	483
Tax benefit of stock-based awards			761					761
Stock issued for vested restricted stock, net of shares withheld for employee taxes	193	19	(3,943)			3	12	(3,912)
Stock-based compensation			19,661					19,661
Balance, June 30, 2016	111,384	\$ 11,138	\$ 442,883	\$ 4,438,748	\$ (3,156)	3,320	\$ (188,151)	\$ 4,701,462

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms the Company , we , us and our in these Notes to Consolidated Condensed Financial Statements refers to Helmerich & Payne, Inc. and its consolidated subsidiaries.

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (the Commission) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by GAAP for complete financial statements and, therefore, should be read in conjunction with the Consolidated Financial Statements and notes thereto in our 2015 Annual Report on Form 10-K and other current filings with the Commission. In the opinion of management all adjustments, consisting of those of a normal recurring nature, necessary to present fairly the results of the periods presented have been included. The results of operations for the interim periods presented may not necessarily be indicative of the results to be expected for the full year.

The Consolidated Condensed Financial Statements include the accounts of Helmerich & Payne, Inc. and its wholly-owned subsidiaries. Prior to September 30, 2015, for financial reporting purposes, fiscal years of our foreign operations ended on August 31 to facilitate reporting of consolidated results, resulting in a one-month reporting lag when compared to the remainder of the Company.

Starting October 1, 2015, the reporting year-end of these foreign operations was changed from August 31 to September 30. The previously existing one-month reporting lag was eliminated as it is no longer required to achieve a timely consolidation due to our investments in technology, ERP systems and personnel to enhance our financial statement close process. We believe this change is preferable because the financial information of all operating segments is now reported based on the same period-end, which improves overall financial reporting to investors by providing the most current information available. In accordance with Accounting Standards Codification (ASC) 810-10-50-2, *A Change in the Difference Between Parent and Subsidiary Fiscal Year-Ends*, the elimination of this previously existing reporting lag is considered a voluntary change in accounting principle in accordance with ASC 250-10-50 *Change in Accounting Principle*. Voluntary changes in accounting principles are to be reported through retrospective application of the new principle to all prior financial statement periods presented. Accordingly, our financial statements for periods prior to fiscal 2016 have been changed to reflect the period-specific effects of applying this accounting principle. This change resulted in a cumulative effect of an accounting change of \$1.6 million, net of income tax effect, to retained earnings as of October 1, 2015. Net loss from continuing operations for the third quarter of fiscal 2016 would have been approximately \$2.4 million lower absent the accounting change. Net income from continuing operations for the nine months ended June 30, 2016 would have been approximately \$0.8 million higher absent the accounting change. Net loss from discontinued operations would have been approximately \$4.0 million more in the three months ended June 30, 2016 absent the accounting change due to a currency devaluation recognized in the quarter ending March 31, 2016, as opposed to the third quarter of fiscal 2016. There was no significant difference in discontinued operations for the nine months ended June 30, 2016 from the accounting change.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

The impact of this change in accounting principle to eliminate the one-month lag for foreign subsidiaries is summarized below for significant items. Other accounts were minimally impacted.

	As Reported	Adjustments Three Months Ended June 30, 2015 (in thousands)	After Voluntary Change in Accounting Principle
Operating revenues	\$ 659,694	\$ 1,751	\$ 661,445
Operating costs, excluding depreciation	351,670	(1,030)	350,640
Net income	90,860	12	90,872
Diluted earnings per common share	0.83		0.83

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Table of Contents

Nine Months Ended June 30, 2015 (in thousands)			
Operating revenues	\$ 2,599,331	\$ 8,571	\$ 2,607,902
Operating costs, excluding depreciation	1,375,241	1,961	1,377,202
Net income	443,439	4,584	448,023
Diluted earnings per common share	4.06	0.04	4.10

September 30, 2015 (in thousands)			
Total assets	\$ 7,152,012	\$ (4,770)	\$ 7,147,242
Total liabilities	2,254,560	(3,164)	2,251,396
Total shareholders equity	4,897,452	(1,606)	4,895,846

In November 2015, the Financial Account Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes* requiring all deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, however, we have elected to early adopt effective October 1, 2015 prospectively. As a result of the adoption, we will no longer have deferred income taxes as a current asset in our Consolidated Condensed Balance Sheet.

As more fully described in our 2015 Annual Report on Form 10-K, our contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For contracts that are terminated by customers prior to the expirations of their fixed terms, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met. During the three and nine months ended June 30, 2016, early termination revenue was approximately \$80.7 million and \$189.2 million, respectively. We had \$93.0 million and \$188.8 million, respectively, of early termination revenue for the three and nine months ended June 30, 2015.

Depreciation in the Consolidated Condensed Statements of Operations includes abandonments of \$0.9 million for the nine months ended June 30, 2016 compared to \$1.2 million and \$13.5 million, respectively, for the three and nine months ended June 30, 2015.

During the three months ended June 30, 2016, we recorded an asset impairment charge in the U.S. Land segment of \$6.3 million to reduce the carrying value in rig and rig related equipment classified as held for sale to their estimated fair values, based on expected sales prices. The rig equipment is from rigs that were decommissioned from service in prior fiscal years and written down to their estimated recoverable value at the time of decommissioning. During the three months ended June 30, 2016, we began actively marketing the equipment. We believe the equipment will be disposed of in under a year.

The functional currency for all our foreign operations is the U.S. dollar. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the end of the period. Income statement accounts are translated at average rates for the period presented. Foreign currency gains and losses from remeasurement of foreign currency financial statements and foreign currency translations into U.S. dollars are included in direct operating costs. Included in direct operating costs are aggregate foreign currency losses of \$1.1 million and \$9.4 million, respectively, for the three and nine months ended June 30, 2016. The losses are primarily the result of a sharp devaluation of the Argentine peso in December 2015. For the three and nine months ended June 30, 2015, we had aggregate currency losses of \$0.3 million and gains of \$1.5 million, respectively.

2. Discontinued Operations

Current assets of discontinued operations consist of restricted cash to meet remaining current obligations within the country of Venezuela. Current and noncurrent liabilities consist of municipal and income taxes payable and social obligations due within the country of Venezuela. Expenses incurred for in-country obligations are reported as discontinued operations.

In March 2016, the Venezuelan government implemented the previously announced plans for a new foreign currency exchange system. The implementation of this system resulted in a reported loss from discontinued operations of \$3.9 million in the first nine months of fiscal 2016, all of which corresponds to the Company's former operations in Venezuela.

Table of Contents

3. Earnings per Share

ASC 260, *Earnings per Share*, requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings per share. We have granted and expect to continue to grant to employees restricted stock grants that contain non-forfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings per share and calculate basic earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Basic earnings per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented.

Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock.

Under the two-class method of calculating earnings per share, dividends paid and a portion of undistributed net income, but not losses, are allocated to unvested restricted stock grants that receive dividends, which are considered participating securities.

Table of Contents

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015 (as adjusted) (in thousands, except per share amounts)	2016	2015 (as adjusted)
Numerator:				
Income (loss) from continuing operations	\$ (21,193)	\$ 90,899	\$ 19,879	\$ 448,064
Loss from discontinued operations	(7)	(27)	(3,872)	(41)
Net income (loss)	(21,200)	90,872	16,007	448,023
Adjustment for basic earnings per share:				
Earnings allocated to unvested shareholders	(451)	(558)	(1,410)	(2,801)
Numerator for basic earnings per share:				
From continuing operations	(21,644)	90,341	18,469	445,263
From discontinued operations	(7)	(27)	(3,872)	(41)
	(21,651)	90,314	14,597	445,222
Adjustment for diluted earnings per share:				
Effect of reallocating undistributed earnings of unvested shareholders		1		10
Numerator for diluted earnings per share:				
From continuing operations	(21,644)	90,342	18,469	445,273
From discontinued operations	(7)	(27)	(3,872)	(41)
	\$ (21,651)	\$ 90,315	\$ 14,597	\$ 445,232
Denominator:				
Denominator for basic earnings per share				
weighted-average shares	108,047	107,652	107,970	107,759
Effect of dilutive shares from stock options and restricted stock		817	553	812
Denominator for diluted earnings per share adjusted				
weighted-average shares	108,047	108,469	108,523	108,571
Basic earnings per common share:				
Income (loss) from continuing operations	\$ (0.20)	\$ 0.84	\$ 0.18	\$ 4.13
Loss from discontinued operations			(0.04)	
Net income (loss)	\$ (0.20)	\$ 0.84	\$ 0.14	\$ 4.13
Diluted earnings per common share:				
Income (loss) from continuing operations	\$ (0.20)	\$ 0.83	\$ 0.17	\$ 4.10
Loss from discontinued operations			(0.04)	
Net income (loss)	\$ (0.20)	\$ 0.83	\$ 0.13	\$ 4.10

Table of Contents

We had a net loss for the three months ended June 30, 2016. Accordingly, our diluted earnings per share calculation for the three months ended June 30, 2016 was equivalent to our basic earnings per share calculation since diluted earnings per share excluded any assumed exercise of equity awards. These were excluded because they were deemed to be anti-dilutive, meaning their inclusion would have reduced the reported net loss per share in the applicable period.

Shares attributable to outstanding equity awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands, except per share amounts)			
Shares excluded from calculation of diluted earnings per share	3,409	592	1,861	667
Weighted-average price per share	\$ 51.94	\$ 73.36	\$ 63.70	\$ 72.85

4. Financial Instruments and Fair Value Measurement

The estimated fair value of our available-for-sale securities, reflected on our Consolidated Condensed Balance Sheets as Investments, is based on market quotes. The following is a summary of available-for-sale securities, which excludes assets held in a Non-qualified Supplemental Savings Plan:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Equity securities June 30, 2016	\$ 64,462	\$ 33,257	\$ 10,669	\$ 87,050
Equity securities September 30, 2015	\$ 64,462	\$ 28,530	\$ 1,509	\$ 91,483

On an ongoing basis we evaluate the marketable equity securities to determine if any decline in fair value below cost is other-than-temporary. If a decline in fair value below cost is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis established. We review several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near-term prospects of the issuer and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. One of our securities was in an unrealized loss position for under 30 days at September 30, 2015 and then dropped below cost again in December 2015 and continued to be in a loss position through August 4, 2016. The security is in the international offshore drilling industry which is cyclical and has been impacted by the downturn in the energy sector. Considering the factors above including the limited time that the security was in an unrealized position and based on our ability and intent to hold these investments until the fair value recovers, impairment was not considered other-than-temporary at June 30, 2016.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

The assets held in the Non-qualified Supplemental Savings Plan are carried at fair value which totaled \$12.8 million at June 30, 2016 and \$12.9 million at September 30, 2015. The assets are comprised of mutual funds that are measured using Level 1 inputs.

The majority of cash equivalents are invested in highly liquid money-market mutual funds invested primarily in direct or indirect obligations of the U.S. Government. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use the fair value hierarchy established in ASC 820-10 to measure fair value to prioritize the inputs:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Table of Contents

- **Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

At June 30, 2016, our financial instruments utilizing Level 1 inputs include cash equivalents, equity securities with active markets, money market funds we have elected to classify as restricted assets that are included in other current assets and other assets. Also included is cash denominated in a foreign currency that we have elected to classify as restricted to be used to settle the remaining liabilities of discontinued operations. For these items, quoted current market prices are readily available.

At June 30, 2016, financial instruments utilizing level 2 inputs include bank certificates of deposit included in short-term investments and other current assets.

Currently, we do not have any financial instruments utilizing Level 3 inputs.

The following table summarizes our assets measured at fair value presented in our Consolidated Condensed Balance Sheet as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
		(in thousands)		
Recurring fair value measurements:				
Short-term investments:				
Certificate of deposit	\$ 2,000	\$	\$ 2,000	\$
Corporate debt securities	20,608		20,608	
U.S. government and federal agency securities	26,957	17,751	9,206	
Total short-term investments	49,565	17,751	31,814	
Cash and cash equivalents	907,032	907,032		
Investments	87,050	87,050		
Other current assets	26,813	26,563	250	
Other assets	2,000	2,000		
Total assets measured at fair value	\$ 1,072,460	\$ 1,040,396	\$ 32,064	\$
Nonrecurring fair value measurements:				
Assets:				
Assets held for sale (1)	\$ 3,840	\$	\$	\$ 3,840

(1) Represents the book value as of June 30, 2016 of decommissioned rigs and rig related equipment written down to their estimated recoverable amounts at June 30, 2016. These assets are included in assets held for sale in our Consolidated Condensed Balance Sheets.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

The following information presents the supplemental fair value information about long-term fixed-rate debt at June 30, 2016 and September 30, 2015:

	June 30, 2016	September 30, 2015
	(in millions)	
Carrying value of long-term fixed-rate debt	\$ 532.4	\$ 531.5
Fair value of long-term fixed-rate debt	\$ 569.4	\$ 553.5

The fair value at June 30, 2016 for the \$40 million fixed-rate debt was estimated using discounted cash flows at rates reflecting current interest rates at similar maturities plus a credit spread which was estimated using the outstanding market information on debt instruments with a similar credit profile to us. The debt was valued using a Level 2 input.

The fair value for the \$500 million fixed-rate debt was based on broker quotes at June 30, 2016. The notes are classified within Level 2 as they are not actively traded in markets.

Table of Contents

5. Shareholders Equity

The Company has authorization from the Board of Directors for the repurchase of up to four million shares per calendar year. The repurchases may be made using our cash and cash equivalents or other available sources. We have had no purchases of common shares in fiscal 2016. During the nine months ended June 30, 2015, we purchased 810,097 common shares at an aggregate cost of \$59.7 million, which are held as treasury shares.

Components of accumulated other comprehensive income (loss) were as follows:

	June 30, 2016	September 30, 2015
	(in thousands)	
Pre-tax amounts:		
Unrealized appreciation on securities	\$ 22,587	\$ 27,021
Unrecognized actuarial loss	(28,666)	(30,144)
	\$ (6,079)	\$ (3,123)
After-tax amounts:		
Unrealized appreciation on securities	\$ 14,482	\$ 17,201
Unrecognized actuarial loss	(17,638)	(18,578)
	\$ (3,156)	\$ (1,377)

The following is a summary of the changes in accumulated other comprehensive income (loss), net of tax, by component for the three and nine months ended June 30, 2016:

	Three Months Ended June 30, 2016		
	Unrealized Appreciation on Available-for-sale Securities	Defined Benefit Pension Plan (in thousands)	Total
Balances at April 1, 2016	\$ 4,738	\$ (17,952)	\$ (13,214)
Other comprehensive income before reclassifications	9,744		9,744
Amounts reclassified from accumulated other comprehensive income		314	314
Net current-period other comprehensive income	9,744	314	10,058
Balances at June 30, 2016	\$ 14,482	\$ (17,638)	\$ (3,156)

	Nine Months Ended June 30, 2016		
	Unrealized Appreciation (Depreciation) on Available-for-sale Securities	Defined Benefit Pension Plan	Total

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

(in thousands)

Balances at October 1, 2015	\$	17,201	\$	(18,578)	\$	(1,377)
Other comprehensive loss before reclassifications		(2,719)				(2,719)
Amounts reclassified from accumulated other comprehensive income				940		940
Net current-period other comprehensive income (loss)		(2,719)		940		(1,779)
Balances at June 30, 2016	\$	14,482	\$	(17,638)	\$	(3,156)

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Table of Contents

The following provides detail about accumulated other comprehensive income (loss) components which were reclassified to the Condensed Consolidated Statement of Operations during the three and nine months ended June 30, 2016:

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)						Affected Line Item in the Condensed Consolidated Statement of Operations		
	Three Months Ended			Nine Months Ended					
	June 30,			June 30,					
	2016	2015		2016	2015				
	(in thousands)			(in thousands)					
Defined Benefit Pension Items									
Amortization of net actuarial loss	\$	493	\$	309	\$	1,479	\$	927	General and administrative
		(179)		(112)		(539)		(337)	Income tax provision
Total reclassifications for the period	\$	314	\$	197	\$	940	\$	590	Net of tax

6. Cash Dividends

The \$0.6875 per share cash dividend declared March 2, 2016, was paid June 1, 2016. On June 1, 2016, a cash dividend of \$0.70 per share was declared for shareholders of record on August 15, 2016, payable September 1, 2016. The dividend payable is included in accounts payable in the Consolidated Condensed Balance Sheets.

7. Stock-Based Compensation

On March 2, 2011, the 2010 Long-Term Incentive Plan (the 2010 Plan) was approved by our stockholders. The 2010 Plan, among other things, authorizes the Human Resources Committee of the Board to grant non-qualified stock options and restricted stock awards to selected employees and to non-employee Directors. Restricted stock may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than market price of the underlying stock on the date of grant. Stock options expire 10 years after the grant date. There were 876,379 non-qualified stock options and 294,575 shares of restricted stock awards granted in the nine months ended June 30, 2016. Awards outstanding in the 2005 Long-Term Incentive Plan (the 2005 Plan) remain subject to the terms and conditions of that plan.

A summary of compensation cost for stock-based payment arrangements recognized in general and administrative expense is as follows:

	Three Months Ended June 30,			Nine Months Ended June 30,				
	2016		2015	2016		2015		
	(in thousands)			(in thousands)				
Compensation expense								
Stock options	\$	1,722	\$	1,930	\$	7,048	\$	6,900
Restricted stock		3,952		4,111		12,613		12,220
	\$	5,674	\$	6,041	\$	19,661	\$	19,120

STOCK OPTIONS

The following summarizes the weighted-average assumptions utilized in determining the fair value of options granted during the nine months ended June 30, 2016 and 2015:

	2016	2015
Risk-free interest rate	1.8%	1.7%
Expected stock volatility	37.6%	36.9%
Dividend yield	4.6%	3.9%
Expected term (in years)	5.5	5.5

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. Treasury securities for the expected term of the option.

Table of Contents

Expected Volatility Rate. Expected volatility is based on the daily closing price of our stock based upon historical experience over a period which approximates the expected term of the option.

Expected Dividend Yield. The expected dividend yield is based on our current dividend yield.

Expected Term. The expected term of the options granted represents the period of time that they are expected to be outstanding. We estimate the expected term of options granted based on historical experience with grants and exercises.

A summary of stock option activity under all existing long-term incentive plans for the three and nine months ended June 30, 2016 is presented in the following tables:

Options	Shares (in thousands)	Three Months Ended June 30, 2016			Aggregate Intrinsic Value (in millions)
		Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)		
Outstanding at April 1, 2016	3,456	\$ 51.85			
Granted					
Exercised	(24)	28.00			
Forfeited/Expired	(23)	63.46			
Outstanding at June 30, 2016	3,409	\$ 51.94	6.0	\$	55.6
Vested and expected to vest at June 30, 2016	3,381	\$ 51.89	6.0	\$	55.3
Exercisable at June 30, 2016	2,244	\$ 46.66	4.5	\$	48.0

Options	Shares (in thousands)	Nine Months Ended June 30, 2016	
		Weighted- Average Exercise Price	
Outstanding at October 1, 2015	2,776	\$ 48.51	
Granted	876	58.25	
Exercised	(204)	30.73	
Forfeited/Expired	(39)	61.04	
Outstanding at June 30, 2016	3,409	\$ 51.94	

The weighted-average fair value of options granted in the first quarter of fiscal 2016 was \$13.12. No options were granted in the second and third quarters of fiscal 2016.

The total intrinsic value of options exercised during the three and nine months ended June 30, 2016 was \$0.9 million and \$6.0 million, respectively.

As of June 30, 2016, the unrecognized compensation cost related to stock options was \$8.9 million which is expected to be recognized over a weighted-average period of 3.0 years.

RESTRICTED STOCK

Restricted stock awards consist of our common stock and are time-vested over three to six years. We recognize compensation expense on a straight-line basis over the vesting period. The fair value of restricted stock awards under the 2010 Plan is determined based on the closing price of our shares on the grant date. As of June 30, 2016, there was \$23.9 million of total unrecognized compensation cost related to unvested restricted stock awards which is expected to be recognized over a weighted-average period of 2.4 years.

Table of Contents

A summary of the status of our restricted stock awards as of June 30, 2016 and changes in restricted stock outstanding during the nine months then ended is presented below:

Restricted Stock Awards	Shares (in thousands)	Nine Months Ended June 30, 2016	
			Weighted- Average Grant-Date Fair Value
Unvested at October 1, 2015	668	\$	67.03
Granted	294		58.25
Vested (1)	(256)		64.75
Forfeited	(36)		63.68
Unvested at June 30, 2016	670	\$	64.22

(1) The number of restricted stock awards vested includes shares that we withheld on behalf of our employees to satisfy the statutory tax withholding requirements.

8. Debt

At June 30, 2016 and September 30, 2015, we had the following unsecured long-term debt outstanding:

	Principal		Unamortized Discount and Debt Issuance Costs	
	June 30, 2016	September 30, 2015	June 30, 2016	September 30, 2015
	(in thousands)			
Unsecured senior notes issued July 21, 2009:				
Due July 21, 2016	\$ 40,000	\$ 40,000	\$ (213)	\$ (498)
Unsecured senior notes issued March 19, 2015:				
Due March 19, 2025	500,000	500,000	(7,403)	(7,965)
	540,000	540,000	(7,616)	(8,463)
Less long-term debt due within one year	40,000	40,000	(766)	(906)
Long-term debt	\$ 500,000	\$ 500,000	\$ (6,850)	\$ (7,557)

We have \$40 million senior unsecured fixed-rate notes outstanding at June 30, 2016 that matured in July 2016. The final annual principal repayment of \$40 million along with interest was paid in July 2016.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

On March 19, 2015, we issued \$500 million of 4.65 percent 10-year unsecured senior notes. The net proceeds, after discount and issuance cost, have been or will be used for general corporate purposes, including capital expenditures associated with our rig construction program. Interest is payable semi-annually on March 15 and September 15. The debt discount is being amortized to interest expense using the effective interest method. The debt issuance costs are amortized straight-line over the stated life of the obligation, which approximates the effective yield method.

At June 30, 2016 we had a \$300 million unsecured revolving credit facility with no borrowings, but there were three letters of credit outstanding in the amount of \$40.3 million. This facility was terminated on July 13, 2016, and the letters of credit were transferred to a new \$300 million unsecured revolving credit facility which will mature on July 13, 2021. The new facility has \$75 million available to use as letters of credit. The majority of any borrowings under the facility would accrue interest at a spread over the London Interbank Offered Rate (LIBOR). We also pay a commitment fee based on the unused balance of the facility. Borrowing spreads as well as commitment fees are determined according to a scale based on a ratio of our total debt to total capitalization. The spread over LIBOR ranges from 1.125 percent to 1.75 percent per annum and commitment fees range from .15 percent to .30 percent per annum. Based on our debt to total capitalization on June 30, 2016, the spread over LIBOR and commitment fees would be 1.125 percent and .15 percent, respectively. There is one financial covenant in the facility which requires us to maintain a funded leverage ratio (as defined) of less than 50 percent. The credit facility contains additional terms, conditions, restrictions, and covenants that we believe are usual and customary in unsecured debt arrangements for companies of similar size and credit quality

Table of Contents

At June 30, 2016, we had two letters of credit outstanding, totaling \$12 million that were issued to support international operations. These letters of credit were issued separately from the \$300 million credit facility discussed in the preceding paragraph and do not reduce the available borrowing capacity of that facility.

9. Income Taxes

Our effective tax rate for the first nine months of fiscal 2016 and 2015 was 62.9 percent and 35.2 percent, respectively. The effective tax rate for the third quarter of fiscal 2016 and 2015 was -15.5 percent and 30.2 percent, respectively. Effective tax rates differ from the U.S. federal statutory rate of 35.0 percent primarily due to state and foreign income taxes and the tax benefit from the Internal Revenue Code Section 199 deduction for domestic production activities. The effective tax rate for the nine months ended June 30, 2016 was significantly impacted by reduced earnings before taxes, in conjunction with a December 2015 tax law change which resulted in a reduction of the fiscal 2015 Internal Revenue Code Section 199 deduction for domestic production activities.

For the next 12 months, we cannot predict with certainty whether we will achieve ultimate resolution of any uncertain tax positions associated with our U.S. and international operations that could result in increases or decreases of our unrecognized tax benefits. However, we do not expect the increases or decreases to have a material effect on results of operations or financial position.

10. Commitments and Contingencies

In conjunction with our current drilling rig construction program, purchase commitments for equipment, parts and supplies of approximately \$4.9 million are outstanding at June 30, 2016.

We are contingently liable to sureties in respect of bonds issued by the sureties in connection with certain commitments entered into by us in the normal course of business. We have agreed to indemnify the sureties for any payments made by them in respect of such bonds.

During the ordinary course of our business, contingencies arise resulting from an existing condition, situation or set of circumstances involving an uncertainty as to the realization of a possible gain contingency. We account for gain contingencies in accordance with the provisions of ASC 450, *Contingencies*, and, therefore, we do not record gain contingencies or recognize income until realized. The property and equipment of our Venezuelan subsidiary was seized by the Venezuelan government on June 30, 2010. Our wholly-owned subsidiaries, Helmerich & Payne International Drilling Co. and Helmerich & Payne de Venezuela, C.A., filed a lawsuit in the United States District Court for the District of Columbia on September 23, 2011 against the Bolivarian Republic of Venezuela, Petroleos de Venezuela, S.A. (PDVSA) and PDVSA Petroleo, S.A. (Petroleo). Our subsidiaries seek damages for the taking of their Venezuelan drilling business in violation of international law and for breach of contract. While there exists the possibility of realizing a recovery, we are currently unable to determine the timing or amounts we may receive, if any, or the likelihood of recovery. No gain contingencies are recognized in our Consolidated Financial Statements.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

The Company and its subsidiaries are parties to various pending legal actions arising in the ordinary course of our business. We maintain insurance against certain business risks subject to certain deductibles. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves and insurance, that the ultimate resolution of such items will not have a material adverse impact on our financial condition, cash flows, or results of operations. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

On November 8, 2013, the United States District Court for the Eastern District of Louisiana approved the previously disclosed October 30, 2013 plea agreement between our wholly owned subsidiary, Helmerich & Payne International Drilling Co., and the United States Department of Justice, United States Attorney's Office for the Eastern District of Louisiana (DOJ). The court's approval of the plea agreement resolved the DOJ's investigation into certain choke manifold testing irregularities that occurred in 2010 at one of Helmerich & Payne International Drilling Co.'s offshore platform rigs in the Gulf of Mexico. We have been engaged in discussions with the Inspector General's office of the Department of Interior regarding the same events that were the subject of the DOJ's investigation. Although we presently believe that the outcome of our discussions will not have a material adverse effect on the Company, we cannot estimate the amount of any potential loss, nor can we provide any assurances as to the timing or eventual outcome of these discussions.

Table of Contents

On or about April 28, 2015, Joshua Keel (Keel), an employee of Helmerich & Payne International Drilling Co. (HPIDC), filed a petition in the 152nd Judicial Court for Harris County, Texas (Cause No. 2015-24531) against Helmerich & Payne Inc., HPIDC, the operator, and several subcontractors of the operator. The suit arises from injuries Keel sustained in an accident that occurred while he was working on HPIDC Rig 223 in New Mexico in July of 2014. Keel alleges that the defendants were negligent and negligent *per se*, acted recklessly, intentionally, and/or with an utterly wanton disregard for the rights and safety of the plaintiff and has recently indicated he will seek damages well in excess of \$100 million. Pursuant to the terms of the drilling contract between HPIDC and the operator, HPIDC has indemnified most of the co-defendants in the lawsuit, subject to certain reservations. We believe we have meritorious defenses to this matter and intend to vigorously defend the Company and HPIDC, both of whom have motions for summary judgment pending. The trial for this matter is set to begin September 19, 2016. We will continue to defend our position and will look to our insurance carriers to respond to any liability that may arise from this incident, including our contractual indemnity obligations; however, we cannot predict the outcome. We have accrued the amount of our self-insured retention.

11. Segment Information

We operate principally in the contract drilling industry. Our contract drilling business includes the following reportable operating segments: U.S. Land, Offshore and International Land. The contract drilling operations consist mainly of contracting Company-owned drilling equipment primarily to large oil and gas exploration companies. To provide information about the different types of business activities in which we operate, we have included Offshore and International Land, along with our U.S. Land reportable operating segment, as separate reportable operating segments. Additionally, each reportable operating segment is a strategic business unit that is managed separately. Our primary international areas of operation include Colombia, Ecuador, Argentina, Bahrain, and the U.A.E. Other includes additional non-reportable operating segments. Revenues included in Other consist primarily of rental income. Consolidated revenues and expenses reflect the elimination of all material intercompany transactions.

We evaluate segment performance based on income or loss from continuing operations (segment operating income) before income taxes which includes:

- revenues from external and internal customers
- direct operating costs
- depreciation and
- allocated general and administrative costs

but excludes corporate costs for other depreciation, income from asset sales and other corporate income and expense.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

General and administrative costs are allocated to the segments based primarily on specific identification and, to the extent that such identification is not practical, on other methods which we believe to be a reasonable reflection of the utilization of services provided.

Segment operating income for all segments is a non-GAAP financial measure of our performance, as it excludes certain general and administrative expenses, corporate depreciation, income from asset sales and other corporate income and expense. We consider segment operating income to be an important supplemental measure of operating performance by presenting trends in our core businesses. We use this measure to facilitate period-to-period comparisons in operating performance of our reportable segments in the aggregate by eliminating items that affect comparability between periods. We believe that segment operating income is useful to investors because it provides a means to evaluate the operating performance of the segments on an ongoing basis using criteria that are used by our internal decision makers. Additionally, it highlights operating trends and aids analytical comparisons. However, segment operating income has limitations and should not be used as an alternative to operating income or loss, a performance measure determined in accordance with GAAP, as it excludes certain costs that may affect our operating performance in future periods.

Table of Contents

Summarized financial information of our reportable segments for the three months ended June 30, 2016 and 2015 is shown in the following tables:

(in thousands)	External Sales	Inter- Segment	Total Sales	Segment Operating Income (Loss)
June 30, 2016				
Contract Drilling:				
U.S. Land	285,028	\$	\$ 285,028	\$ 25,802
Offshore	30,492		30,492	2,084
International Land	47,983		47,983	(4,991)
	363,503		363,503	22,895
Other	2,983	206	3,189	(2,186)
	366,486	206	366,692	20,709
Eliminations		(206)	(206)	
Total	\$ 366,486	\$	\$ 366,486	\$ 20,709

(in thousands)	External Sales	Inter- Segment	Total Sales	Segment Operating Income (Loss)
June 30, 2015, as adjusted				
Contract Drilling:				
U.S. Land	\$ 494,615	\$	\$ 494,615	\$ 121,734
Offshore	57,071		57,071	14,684
International Land	106,551		106,551	18,999
	658,237		658,237	155,417
Other	3,208	204	3,412	(2,324)
	661,445	204	661,649	153,093
Eliminations		(204)	(204)	
Total	\$ 661,445	\$	\$ 661,445	\$ 153,093

Summarized financial information of our reportable segments for the nine months ended June 30, 2016 and 2015 is shown in the following tables:

(in thousands)	External Sales	Inter- Segment	Total Sales	Segment Operating Income (Loss)
June 30, 2016				
Contract Drilling:				
U.S. Land	\$ 1,004,116	\$	\$ 1,004,116	\$ 143,855
Offshore	106,697		106,697	13,105
International Land	171,529		171,529	(13,924)
	1,282,342		1,282,342	143,036
Other	10,182	635	10,817	(4,839)
	1,292,524	635	1,293,159	138,197
Eliminations		(635)	(635)	
Total	\$ 1,292,524	\$	\$ 1,292,524	\$ 138,197

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Table of Contents

(in thousands)	External Sales	Inter- Segment	Total Sales	Segment Operating Income (Loss)
June 30, 2015, as adjusted				
Contract Drilling:				
U.S. Land	\$ 2,103,125	\$	\$ 2,103,125	\$ 664,722
Offshore	189,386		189,386	55,386
International Land	304,262		304,262	40,139
	2,596,773		2,596,773	760,247
Other	11,129	660	11,789	(7,440)
	2,607,902	660	2,608,562	752,807
Eliminations		(660)	(660)	
Total	\$ 2,607,902	\$	\$ 2,607,902	\$ 752,807

The following table reconciles segment operating income per the table above to income from continuing operations before income taxes as reported on the Consolidated Condensed Statements of Operations:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015 (as adjusted)	2016	2015 (as adjusted)
	(in thousands)		(in thousands)	
Segment operating income	\$ 20,709	\$ 153,093	\$ 138,197	\$ 752,807
Income from asset sales	547	1,791	7,820	8,819
Corporate general and administrative costs and corporate depreciation	(34,512)	(19,835)	(78,982)	(64,880)
Operating income (loss)	(13,256)	135,049	67,035	696,746
Other income (expense):				
Interest and dividend income	778	1,588	2,310	4,447
Interest expense	(6,407)	(6,136)	(16,652)	(9,326)
Other	534	(281)	926	88
Total other income (expense)	(5,095)	(4,829)	(13,416)	(4,791)
Income (loss) from continuing operations before income taxes	\$ (18,351)	\$ 130,220	\$ 53,619	\$ 691,955

The following table presents total assets by reportable segment:

	June 30, 2016	September 30, 2015 (as adjusted)
	(in thousands)	
Total assets		
U.S. Land	\$ 5,113,421	\$ 5,429,179
Offshore	108,656	118,852
International Land	493,207	565,712
Other	35,750	38,397
	5,751,034	6,152,140

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Investments and corporate operations	1,225,405	987,005
Total assets from continued operations	6,976,439	7,139,145
Discontinued operations	80	8,097
	\$ 6,976,519	\$ 7,147,242

Table of Contents

The following table presents revenues from external customers by country based on the location of service provided:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015 (as adjusted)	2016	2015 (as adjusted)
	(in thousands)		(in thousands)	
Operating revenues				
United States	\$ 318,059	\$ 547,043	\$ 1,113,542	\$ 2,281,961
Argentina	33,208	53,778	118,365	128,527
Colombia	3,831	13,772	15,176	60,400
Ecuador	481	6,864	4,948	26,264
Other foreign	10,907	39,988	40,493	110,750
Total	\$ 366,486	\$ 661,445	\$ 1,292,524	\$ 2,607,902

12. Pensions and Other Post-retirement Benefits

The following provides information at June 30, 2016 and 2015 related to the Company-sponsored domestic defined benefit pension plan:

Components of Net Periodic Benefit Cost

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Interest cost	\$ 1,116	\$ 1,171	\$ 3,347	\$ 3,513
Expected return on plan assets	(1,490)	(1,743)	(4,470)	(5,229)
Recognized net actuarial loss	493	309	1,479	927
Settlement	1,889	1,200	3,343	1,200
Net pension expense	\$ 2,008	\$ 937	\$ 3,699	\$ 411

We record settlement expense when benefit payments exceed the total annual service and interest costs.

Employer Contributions

We did not contribute to the Pension Plan during the nine months ended June 30, 2016. We could make contributions for the remainder of fiscal 2016 to fund distributions in lieu of liquidating assets.

13. Supplemental Cash Flow Information

Capital expenditures on the Consolidated Condensed Statements of Cash Flows do not include additions which have been incurred but not paid for as of the end of the period. The following table reconciles total capital expenditures incurred to total capital expenditures in the Consolidated Condensed Statements of Cash Flows:

	Nine Months Ended June 30,		2015 (as adjusted)	
	2016	(in thousands)		
Capital expenditures incurred	\$	198,606	\$	882,079
Additions incurred prior year but paid for in current period		25,344		123,548
Additions incurred but not paid for as of the end of the period		(4,401)		(34,025)
Capital expenditures per Consolidated Condensed Statements of Cash Flows	\$	219,549	\$	971,602

Table of Contents

14. International Risk Factors

We currently have operations in South America, the Middle East and Africa. In the future, we may further expand the geographic reach of our operations. As a result, we are exposed to certain political, economic and other uncertainties not encountered in U.S. operations, including increased risks of social unrest, strikes, terrorism, war, kidnapping of employees, nationalization, forced negotiation or modification of contracts, difficulty resolving disputes and enforcing contract provisions, expropriation of equipment as well as expropriation of oil and gas exploration and drilling rights, taxation policies, foreign exchange restrictions and restrictions on repatriation of income and capital, currency rate fluctuations, increased governmental ownership and regulation of the economy and industry in the markets in which we operate, economic and financial instability of national oil companies, and restrictive governmental regulation, bureaucratic delays and general hazards associated with foreign sovereignty over certain areas in which operations are conducted.

South American countries, in particular, have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and general economic and political instability. From time to time these risks have impacted our business. For example, on June 30, 2010, the Venezuelan government expropriated 11 rigs and associated real and personal property owned by our Venezuelan subsidiary. Prior thereto, we also experienced currency devaluation losses in Venezuela and difficulty repatriating U.S. dollars to the United States. Today, our contracts for work in foreign countries generally provide for payment in U.S. dollars. However, in Argentina we are paid in Argentine pesos. The Argentine branch of one of our second-tier subsidiaries then remits U.S. dollars to its U.S. parent by converting the Argentine pesos into U.S. dollars through the Argentine Foreign Exchange Market and repatriating the U.S. dollars. In the future, other contracts or applicable law may require payments to be made in foreign currencies. As such, there can be no assurance that we will not experience in Argentina or elsewhere a devaluation of foreign currency, foreign exchange restrictions or other difficulties repatriating U.S. dollars even if we are able to negotiate contract provisions designed to mitigate such risks.

For the nine months ended June 30, 2016, we experienced aggregate foreign currency losses of \$9.4 million. The losses are primarily the result of a sharp devaluation of the Argentine peso in December 2015. It is expected that the Argentine peso will be allowed to float in the free exchange market and foreign exchange restrictions will be less prohibitive. However, whether in Argentina or elsewhere, in the event of future payments in foreign currencies and an inability to timely exchange foreign currencies for U.S. dollars, we may incur currency devaluation losses which could have a material adverse impact on our business, financial condition and results of operations.

There can be no assurance that there will not be changes in local laws, regulations and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of our operations or on our ability to continue operations in certain areas. Because of the impact of local laws, our future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which we hold only a minority interest or pursuant to arrangements under which we conduct operations under contract to local entities. While we believe that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on our operations or revenues, there can be no assurance that we will in all cases be able to structure or restructure our operations to conform to local law (or the administration thereof) on terms we find acceptable.

Although we attempt to minimize the potential impact of such risks by operating in more than one geographical area, during the nine months ended June 30, 2016, approximately 13.3 percent of our consolidated operating revenues were generated from international locations in our contract drilling business. During the nine months ended June 30, 2016, approximately 80.7 percent of operating revenues from international locations were from operations in South America. All of the South American operating revenues were from Argentina, Colombia and Ecuador. The future occurrence of one or more international events arising from the types of risks described above could have a material adverse impact on our business, financial condition and results of operations.

15. Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes virtually all existing revenue recognition guidance. In May 2016, accounting guidance was issued to clarify the not yet effective revenue recognition guidance issued in May 2014. This additional guidance does not change the core principle of the revenue recognition guidance issued by the FASB in May 2014, rather, it provides clarification of accounting for collections of sales taxes as well as recognition of revenue (i) associated with contract modifications, (ii) for noncash consideration, and (iii) based on the collectability of the consideration from the customer. The ASU provides for full retrospective, modified retrospective, or use of the cumulative effect method during the period of adoption. We have not yet determined which adoption method we will employ.

Table of Contents

In July 2015, the FASB extended the effective date of this standard to interim and annual periods beginning on or after December 15, 2017. We are currently evaluating the potential effects of the adoption of this update on our financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The provisions of ASU 2016-01 are effective for interim and annual periods starting after December 15, 2017. At adoption, a cumulative-effect adjustment to beginning retained earnings will be recorded. We will adopt this standard on October 1, 2018. Subsequent to adoption, changes in the fair value of our available-for-sale investments will be recognized in net income and the effect will be subject to stock market fluctuations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require organizations that lease assets – referred to as lessees – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU 2016-02, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Lessor accounting remains substantially similar to current GAAP. In addition, disclosures of leasing activities are to be expanded to include qualitative along with specific quantitative information. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2016-02 mandates a modified retrospective transition method. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

16. Guarantor and Non-Guarantor Financial Information

In March 2015, Helmerich & Payne International Drilling Co. (the issuer), a wholly-owned subsidiary of Helmerich & Payne, Inc. (parent, the guarantor), issued senior unsecured notes with an aggregate principal amount of \$500.0 million. The notes are fully and unconditionally guaranteed by the parent. No subsidiaries of parent currently guarantee the notes, subject to certain provisions that if any subsidiary guarantees certain other debt of the issuer or parent, then such subsidiary will provide a guarantee of the obligations under the notes.

In connection with the notes, we are providing the following condensed consolidating financial information for the issuer, Helmerich & Payne International Drilling Co. and parent/guarantor, Helmerich & Payne, Inc., in accordance with the Commission disclosure requirements. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements.

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS****(in thousands)**

	Three Months Ended June 30, 2016					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
Operating revenue	\$	\$	315,077	\$	51,429	\$ (20) \$ 366,486
Operating costs and other		3,712	314,620		61,700	(290) 379,742
Operating income (loss) from continuing operations		(3,712)	457		(10,271)	270 (13,256)
Other income, net		16	1,290		276	(270) 1,312
Interest expense		(62)	(5,597)		(748)	(6,407)
Equity in net loss of subsidiaries		(18,572)	(7,796)			26,368
Loss from continuing operations before income taxes		(22,330)	(11,646)		(10,743)	26,368 (18,351)
Income tax provision		(1,130)	7,230		(3,258)	2,842
Loss from continuing operations		(21,200)	(18,876)		(7,485)	26,368 (21,193)
Income from discontinued operations before income taxes					2,193	2,193
Income tax provision					2,200	2,200
Loss from discontinued operations					(7)	(7)
Net loss	\$	(21,200)	\$ (18,876)	\$	(7,492)	\$ 26,368 \$ (21,200)

[Table of Contents](#)
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended June 30, 2016					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
Net loss	\$ (21,200)	\$ (18,876)	\$ (7,492)	\$ 26,368	\$ (21,200)	
Other comprehensive income, net of income taxes:						
Unrealized appreciation on securities, net		9,744			9,744	
Minimum pension liability adjustments, net	107	207			314	
Other comprehensive income	107	9,951			10,058	
Comprehensive loss	\$ (21,093)	\$ (8,925)	\$ (7,492)	\$ 26,368	\$ (11,142)	

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

	Three Months Ended June 30, 2015, as adjusted					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
Operating revenue	\$	\$ 543,834	\$ 117,629	\$ (18)	\$ 661,445	
Operating costs and other	3,072	423,409	100,941	(1,026)	526,396	
Operating income (loss) from continuing operations	(3,072)	120,425	16,688	1,008	135,049	
Other income (expense), net	(103)	1,565	852	(1,007)	1,307	
Interest expense	(40)	(4,638)	(1,458)		(6,136)	
Equity in net income of subsidiaries	92,413	13,040		(105,453)		
Income from continuing operations before income taxes	89,198	130,392	16,082	(105,452)	130,220	
Income tax provision	(1,674)	38,941	2,054		39,321	
Income from continuing operations	90,872	91,451	14,028	(105,452)	90,899	
Loss from discontinued operations before income taxes			(27)		(27)	
Income tax provision						
Loss from discontinued operations			(27)		(27)	
Net income	\$ 90,872	\$ 91,451	\$ 14,001	\$ (105,452)	\$ 90,872	

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

	Three Months Ended June 30, 2015, as adjusted					Total Consolidated
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations		
Net income	\$ 90,872	\$ 91,451	\$ 14,001	\$ (105,452)	\$	90,872
Other comprehensive income (loss), net of income taxes:						
Unrealized depreciation on securities, net		(3,307)				(3,307)
Minimum pension liability adjustments, net	82	115				197
Other comprehensive income (loss)	82	(3,192)				(3,110)
Comprehensive income	\$ 90,954	\$ 88,259	\$ 14,001	\$ (105,452)	\$	87,762

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

	Nine Months Ended June 30, 2016					Total Consolidated
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations		
Operating revenue	\$	1,103,361	\$ 189,216	\$ (53)	\$	1,292,524
Operating costs and other	9,573	1,003,369	213,640	(1,093)		1,225,489
Operating income (loss) from continuing operations	(9,573)	99,992	(24,424)	1,040		67,035
Other income (expense), net	(235)	2,680	1,831	(1,040)		3,236
Interest expense	(186)	(15,587)	(879)			(16,652)
Equity in net income (loss) of subsidiaries	22,042	(23,811)		1,769		
Income (loss) from continuing operations before income taxes	12,048	63,274	(23,472)	1,769		53,619
Income tax provision	(3,959)	42,114	(4,415)			33,740
Income (loss) from continuing operations	16,007	21,160	(19,057)	1,769		19,879
Income from discontinued operations before income taxes			2,241			2,241
Income tax provision			6,113			6,113
Loss from discontinued operations			(3,872)			(3,872)
Net income (loss)	\$ 16,007	21,160	\$ (22,929)	\$ 1,769	\$	16,007

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

	Nine Months Ended June 30, 2016					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
Net income (loss)	\$ 16,007	21,160	\$ (22,929)	\$ 1,769	\$ 16,007	
Other comprehensive income (loss), net of income taxes:						
Unrealized depreciation on securities, net		(2,719)			(2,719)	
Minimum pension liability adjustments, net	322	618			940	
Other comprehensive income (loss)	322	(2,101)			(1,779)	
Comprehensive income (loss)	\$ 16,329	19,059	\$ (22,929)	1,769	\$ 14,228	

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

	Nine Months Ended June 30, 2015, as adjusted					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
Operating revenue	\$	\$ 2,270,839	\$ 337,121	\$ (58)	\$ 2,607,902	
Operating costs and other	9,152	1,600,530	304,566	(3,092)	1,911,156	
Operating income (loss) from continuing operations	(9,152)	670,309	32,555	3,034	696,746	
Other income (expense), net	(100)	6,224	1,444	(3,033)	4,535	
Interest expense	(59)	(4,741)	(4,526)		(9,326)	
Equity in net income of subsidiaries	453,478	23,131		(476,609)		
Income from continuing operations before income taxes	444,167	694,923	29,473	(476,608)	691,955	
Income tax provision	(3,856)	243,986	3,761		243,891	
Income from continuing operations	448,023	450,937	25,712	(476,608)	448,064	
Loss from discontinued operations before income taxes			(118)		(118)	
Income tax provision			(77)		(77)	
Loss from discontinued operations			(41)		(41)	
Net income	\$ 448,023	\$ 450,937	\$ 25,671	\$ (476,608)	\$ 448,023	

[Table of Contents](#)
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Nine Months Ended June 30, 2015, as adjusted					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
Net income	\$ 448,023	\$ 450,937	\$ 25,671	\$ (476,608)	\$ 448,023	
Other comprehensive income (loss), net of income taxes:						
Unrealized depreciation on securities, net		(46,754)			(46,754)	
Minimum pension liability adjustments, net	246	344			590	
Other comprehensive income (loss)	246	(46,410)			(46,164)	
Comprehensive income	\$ 448,269	\$ 404,527	\$ 25,671	\$ (476,608)	\$ 401,859	

Table of Contents**CONSOLIDATED CONDENSED BALANCE SHEETS**

(in thousands)

	Guarantor/ Parent	Issuer Subsidiary	June 30, 2016 Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ (920)	\$ 892,476	\$ 15,476	\$	\$ 907,032
Short-term investments		49,565			49,565
Accounts receivable, net of reserve	39,698	269,495	42,995	(871)	351,317
Inventories		88,438	40,447		128,885
Prepaid expenses and other	7,997	33,403	39,638	(2,017)	79,021
Assets held for sale		21,772			21,772
Current assets of discontinued operations			80		80
Total current assets	46,775	1,355,149	138,636	(2,888)	1,537,672
Investments	12,848	87,050			99,898
Property, plant and equipment, net	61,989	4,840,172	404,273		5,306,434
Intercompany	15,982	1,426,888	264,212	(1,707,082)	
Other assets	10,713	1,019	31,262	(10,479)	32,515
Investment in subsidiaries	5,645,245	203,812		(5,849,057)	
Total assets	\$ 5,793,552	\$ 7,914,090	\$ 838,383	\$ (7,569,506)	\$ 6,976,519
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Current liabilities:					
Long-term debt due within one year	\$	\$ 39,234	\$	\$	\$ 39,234
Accounts payable	80,926	8,718	3,904	(856)	92,692
Accrued liabilities	20,936	138,267	37,474	(2,032)	194,645
Current liabilities of discontinued operations			38		38
Total current liabilities	101,862	186,219	41,416	(2,888)	326,609
Noncurrent liabilities:					
Long-term debt		493,150			493,150
Deferred income taxes		1,321,148	48,424	(11,479)	1,358,093
Intercompany	971,750	257,947	476,285	(1,705,982)	
Other	18,478	28,455	46,288		93,221
Noncurrent liabilities of discontinued operations			3,984		3,984
Total noncurrent liabilities	990,228	2,100,700	574,981	(1,717,461)	1,948,448
Shareholders' equity:					
Common stock	11,138	100		(100)	11,138
Additional paid-in capital	442,883	47,372	547	(47,919)	442,883
Retained earnings	4,438,748	5,577,943	221,439	(5,799,382)	4,438,748
Accumulated other comprehensive loss	(3,156)	1,756		(1,756)	(3,156)
Treasury stock, at cost	(188,151)				(188,151)
Total shareholders' equity	4,701,462	5,627,171	221,986	(5,849,157)	4,701,462

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Total liabilities and shareholders equity	\$	5,793,552	\$	7,914,090	\$	838,383	\$	(7,569,506)	\$	6,976,519
---	----	-----------	----	-----------	----	---------	----	-------------	----	-----------

Table of Contents**CONSOLIDATED CONDENSED BALANCE SHEETS**

(in thousands)

	September 30, 2015, as adjusted					
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated	
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ (838)	\$ 693,273	\$ 36,949	\$	\$	729,384
Short-term investments		45,543				45,543
Accounts receivable, net of reserve	152	374,383	71,418	(5)		445,948
Inventories		88,010	40,531			128,541
Deferred income taxes	2,834	19,277		(4,905)		17,206
Prepaid expenses and other	20,018	6,713	45,647	(7,903)		64,475
Current assets of discontinued operations			8,097			8,097
Total current assets	22,166	1,227,199	202,642	(12,813)		1,439,194
Investments	12,871	91,483				104,354
Property, plant and equipment, net	55,902	5,063,705	443,563			5,563,170
Intercompany	15,875	1,192,634	230,652	(1,439,161)		
Other assets	8,387	1,389	38,901	(8,153)		40,524
Investment in subsidiaries	5,623,754	227,587		(5,851,341)		
Total assets	\$ 5,738,955	\$ 7,803,997	\$ 915,758	\$ (7,311,468)	\$	7,147,242
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>						
Current liabilities:						
Long-term debt due within one year	\$	\$ 39,094	\$	\$	\$	39,094
Accounts payable	80,673	20,404	7,097	(5)		108,169
Accrued liabilities	10,688	151,721	46,251	(11,103)		197,557
Current liabilities of discontinued operations			3,377			3,377
Total current liabilities	91,361	211,219	56,725	(11,108)		348,197
Noncurrent liabilities:						
Long-term debt		492,443				492,443
Deferred income taxes		1,275,428	33,546	(13,058)		1,295,916
Intercompany	733,008	186,784	516,169	(1,435,961)		
Other	18,740	31,560	59,820			110,120
Noncurrent liabilities of discontinued operations			4,720			4,720
Total noncurrent liabilities	751,748	1,986,215	614,255	(1,449,019)		1,903,199
Shareholders' equity:						
Common stock	11,099	100		(100)		11,099
Additional paid-in capital	420,141	45,824	349	(46,173)		420,141
Retained earnings	4,648,346	5,556,783	244,429	(5,801,212)		4,648,346
Accumulated other comprehensive income (loss)	(1,377)	3,856		(3,856)		(1,377)
Treasury stock, at cost	(182,363)					(182,363)

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Total shareholders' equity	4,895,846	5,606,563	244,778	(5,851,341)	4,895,846
Total liabilities and shareholders' equity	\$ 5,738,955	\$ 7,803,997	\$ 915,758	\$ (7,311,468)	\$ 7,147,242

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(in thousands)

	Nine Months Ended June 30, 2016				
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net cash provided by (used in) operating activities	\$ 4,127	\$ 631,371	\$ (20,088)	\$	\$ 615,410
INVESTING ACTIVITIES:					
Capital expenditures	(15,515)	(200,611)	(3,423)		(219,549)
Intercompany transfers	15,515	(15,515)			
Purchase of short-term investments		(36,958)			(36,958)
Proceeds from sale of short-term investments		32,681			32,681
Proceeds from asset sales	8	10,956	1,840		12,804
Net cash provided by (used in) investing activities	8	(209,447)	(1,583)		(211,022)
FINANCING ACTIVITIES:					
Dividends paid	(224,040)				(224,040)
Intercompany transfers	224,040	(224,040)			
Debt issuance costs		(32)			(32)
Exercise of stock options, net of tax withholding	483				483
Tax withholdings related to net share settlements of restricted stock	(3,912)				(3,912)
Excess tax benefit from stock-based compensation	(788)	1,351	198		761
Net cash provided by (used in) financing activities	(4,217)	(222,721)	198		(226,740)
Net increase (decrease) in cash and cash equivalents	(82)	199,203	(21,473)		177,648
Cash and cash equivalents, beginning of period	(838)	693,273	36,949		729,384
Cash and cash equivalents, end of period	\$ (920)	\$ 892,476	\$ 15,476	\$	\$ 907,032

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(in thousands)

	Nine Months Ended June 30, 2015, as adjusted				Total Consolidated
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	
Net cash provided by operating activities	\$ 66,448	\$ 1,068,214	\$ 16,894	\$	\$ 1,151,556
INVESTING ACTIVITIES:					
Capital expenditures	(18,708)	(911,844)	(41,050)		(971,602)
Intercompany transfers	18,708	(18,708)			
Proceeds from asset sales	1	16,804	952		17,757
Net cash provided by (used in) investing activities	1	(913,748)	(40,098)		(953,845)
FINANCING ACTIVITIES:					
Proceeds from senior notes, net of discount		497,125			497,125
Debt issuance costs		(5,202)			(5,202)
Proceeds on short-term debt			1,002		1,002
Payments on short-term debt			(1,002)		(1,002)
Net increase in bank overdraft			10,824		10,824
Dividends paid	(223,827)				(223,827)
Intercompany transfers	223,827	(223,827)			
Repurchase of common stock	(59,654)				(59,654)
Exercise of stock options, net of tax withholding	(609)				(609)
Tax withholdings related to net share settlements of restricted stock	(5,104)				(5,104)
Excess tax benefit from stock-based compensation	91	2,853	25		2,969
Net cash provided by (used in) financing activities	(65,276)	270,949	10,849		216,522
Net increase (decrease) in cash and cash equivalents	1,173	425,415	(12,355)		414,233
Cash and cash equivalents, beginning of period	(2,050)	329,655	32,702		360,307
Cash and cash equivalents, end of period	\$ (877)	\$ 755,070	\$ 20,347	\$	\$ 774,540

17. Subsequent Events

Due to the downturn in the oil and gas industry from low oil prices, our customers have reduced their drilling activity. Based on received early termination notices, early termination revenue recognized is expected to be approximately \$30 million during the fourth quarter of fiscal 2016.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

June 30, 2016

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the Consolidated Condensed Financial Statements and related notes included elsewhere herein and the Consolidated Financial Statements and notes thereto included in our 2015 Annual Report on Form 10-K. Our future operating results may be affected by various trends and factors which are beyond our control. These include, among other factors, fluctuations in natural gas and crude oil prices, the loss of one or a number of our largest customers, early termination of drilling contracts and failure to realize backlog drilling revenue, forfeiture of early termination payments under fixed term contracts due to sustained unacceptable performance, unsuccessful collection of receivables, inability to procure key rig components, failure to timely deliver rigs within applicable grace periods, disruption to or cessation of the business of our limited source vendors or fabricators, currency exchange losses, expropriation of assets and other international uncertainties, loss of well control, pollution of offshore waters and reservoir damage, operational risks that are not fully insured against or covered by adequate contractual indemnities, passage of laws or regulations including those limiting hydraulic fracturing, litigation and governmental investigations, failure to comply with the terms of our plea agreement with the United States Department of Justice, failure to comply with the United States Foreign Corrupt Practices Act, foreign anti-bribery laws and other governmental laws and regulations, a sluggish global economy, changes in general economic and political conditions, adverse weather conditions including hurricanes, rapid or unexpected changes in drilling or other technologies and uncertain business conditions that affect our businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends. Our risk factors are more fully described in our 2015 Annual Report on Form 10-K and elsewhere in this Form 10-Q.

With the exception of historical information, the matters discussed in Management's Discussion & Analysis of Financial Condition and Results of Operations include forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe, or continue or the negative thereof or similar terminology. Forward-looking statements are based on various assumptions. We caution that, while we believe such assumptions to be reasonable and make them in good faith, assumptions about future events and conditions almost always vary from actual results. The differences between assumed facts and actual results can be material. We are including this cautionary statement to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by us or persons acting on our behalf. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by us or persons acting on our behalf. Except as required by law, we undertake no duty to update or revise our forward-looking statements based on changes of internal estimates on expectations or otherwise.

RESULTS OF OPERATIONS

Prior to September 30, 2015, fiscal years of our foreign operations ended on August 31 to facilitate reporting of consolidated results, resulting in a one-month reporting lag when compared to the remainder of the Company.

Starting October 1, 2015, the reporting year-end of these foreign operations was changed from August 31 to September 30. The previously existing one-month reporting lag was eliminated as it is no longer required to achieve a timely consolidation due to our investments in

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

technology, ERP systems and personnel to enhance our financial statement close process. We believe this change is preferable because the financial information of all operating segments is now reported based on the same period-end, which improves overall financial reporting to investors by providing the most current information available. The elimination of this previously existing reporting lag is considered a voluntary change in accounting principle in accordance with ASC 250-10-50 *Change in Accounting Principle*. Voluntary changes in accounting principles are to be reported through retrospective application of the new principle to all prior financial statement periods presented. Accordingly, our financial statements for periods prior to fiscal 2016 have been changed to reflect the period-specific effects of applying this accounting principle.

Three Months Ended June 30, 2016 vs. Three Months Ended June 30, 2015

We reported a net loss of \$21.2 million (\$0.20 loss per diluted share) from operating revenues of \$366.5 million for the third quarter ended June 30, 2016, compared with net income of \$90.9 million (\$0.83 per diluted share) from operating revenues of \$661.4 million for the third quarter of fiscal year 2015. Net income for the third quarter of fiscal 2016 includes approximately \$0.3 million (less than \$0.01 per diluted share) of after-tax gains from the sale of assets. Net income for the third quarter of fiscal 2015 includes approximately \$1.1 million (\$0.01 per diluted share) of after-tax gains from the sale of assets.

Table of Contents

The following tables summarize operations by reportable operating segment for the three months ended June 30, 2016 and 2015. Operating statistics in the tables exclude the effects of offshore platform and international management contracts, and do not include reimbursements of out-of-pocket expenses in revenue, expense and margin per day calculations. Per day calculations for international operations also exclude gains and losses from translation of foreign currency transactions. Segment operating income is described in detail in Note 11 to the Consolidated Condensed Financial Statements.

	Three Months Ended June 30,			
	2016	2015		
	(in thousands, except days and per day amounts)			
U.S. LAND OPERATIONS				
Revenues	\$	285,028	\$	494,615
Direct operating expenses		122,694		241,109
General and administrative expense		14,221		10,465
Depreciation		116,061		121,307
Asset impairment charge		6,250		
Segment operating income	\$	25,802	\$	121,734
Revenue days		7,483		14,219
Average rig revenue per day	\$	35,474	\$	31,959
Average rig expense per day	\$	13,780	\$	14,130
Average rig margin per day	\$	21,694	\$	17,829
Rig utilization		24%		47%

U.S. Land segment operating income decreased to \$25.8 million for the third quarter of fiscal 2016 compared to \$121.7 million in the same period of fiscal 2015. Revenues were \$285.0 million and \$494.6 million in the third quarter of fiscal 2016 and 2015, respectively. Included in U.S. land revenues for the three months ended June 30, 2016 and 2015 are reimbursements for out-of-pocket expenses of \$19.6 million and \$40.2 million, respectively. Also included in revenue for the three months ended June 30, 2016 is early termination revenue of \$80.7 million compared to \$75.7 million during the same period of fiscal 2015.

Excluding early termination per day revenue of \$10,790 and \$5,325 for the third quarter of fiscal 2016 and fiscal 2015, respectively, average rig revenue per day for the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015 decreased by \$1,950 to \$24,684. Low oil prices continued to have a negative effect on customer spending. Some customers did not renew expiring contracts while others elected to terminate fixed-term contracts early. As a result, we experienced a 47% decrease in revenue days when comparing the third fiscal quarter of 2016 to the same period in 2015. Fixed-term contracts customarily provide for termination at the election of the customer, with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term (except in limited circumstances including sustained unacceptable performance by us).

During the third quarter of fiscal 2016, we incurred \$363 expense per day associated with employee severance expense for early retirement and workforce reductions. Excluding the \$363 per day impact, average rig expense per day decreased \$713. The decrease is primarily attributable to labor and other expenses associated with stacking rigs during the three months ended June 30, 2015.

Depreciation decreased \$5.2 million in the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015. The decrease is primarily due to the decommissioning of 23 rigs in fiscal 2015. During the three months ended June 30, 2016, we recorded an asset impairment charge of \$6.3 million to reduce the carrying value in used drilling equipment classified as held for sale to their estimated fair values, based on expected sales prices. The used drilling equipment is from rigs that were decommissioned from service in prior fiscal periods and written down to their estimated recoverable value at the time of decommissioning.

U.S. land rig utilization decreased to 24 percent for the third quarter of 2016 compared to 47 percent for the third quarter of fiscal 2015. U.S. land rig revenue days for the third quarter of fiscal 2016 were 7,483 compared with 14,219 for the same period of fiscal 2015, with an average of 82.2 and 156.3 rigs working during the third quarter of fiscal 2016 and 2015, respectively. We expect rig utilization to increase in the fourth quarter of fiscal 2016 from the third quarter of fiscal 2016, primarily due to some rigs returning to work.

At June 30, 2016, 89 out of 348 existing rigs in the U.S. Land segment were contracted. Of the 89 contracted rigs, 75 were under fixed term contracts and 14 were working in the spot market. As of July 28, 2016, 91 rigs were contracted in the segment. Based on received early termination notices, early termination revenue is expected to be approximately \$30 million during the fourth fiscal quarter of 2016.

Table of Contents

Three Months Ended June 30,
2016 **2015**
(in thousands, except days and per day amounts)
(as adjusted)

OFFSHORE OPERATIONS

Revenues	\$	30,492	\$	57,071
Direct operating expenses		24,249		39,011
General and administrative expense		975		688
Depreciation		3,184		2,688
Segment operating income	\$	2,084	\$	14,684
Revenue days		637		728
Average rig revenue per day	\$	25,568	\$	38,333
Average rig expense per day	\$	18,823	\$	24,068
Average rig margin per day	\$	6,745	\$	14,265
Rig utilization		78%		89%

Offshore revenues include reimbursements for out-of-pocket expenses of \$5.3 million and \$10.7 million for the three months ended June 30, 2016 and 2015, respectively.

Average rig revenue per day and average rig margin per day decreased in the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015 primarily due to several rigs moving to lower pricing while on standby or other special dayrates.

During the third quarter of fiscal 2016, we incurred \$1,236 expense per day associated with employee severance expense for early retirement and workforce reductions. Excluding the \$1,236 per day impact, average rig expense per day decreased \$6,481. The decrease is primarily attributable to several rigs under contract during the third quarter of fiscal 2016 that were idle on customer-owned platforms receiving a standby type dayrate without incurring expenses to operate the rig.

At the end of June 30, 2016, seven platform rigs were contracted compared to eight at June 30, 2015 resulting in a lower rig utilization for the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

Three Months Ended June 30,
2016 **2015**
(in thousands, except days and per day amounts)
(as adjusted)

INTERNATIONAL LAND OPERATIONS

Revenues	\$	47,983	\$	106,551
Direct operating expenses		38,230		70,602
General and administrative expense		772		628
Depreciation		13,972		16,322
Segment operating income (loss)	\$	(4,991)	\$	18,999
Revenue days		1,274		1,836
Average rig revenue per day	\$	34,693	\$	53,383
Average rig expense per day	\$	26,156	\$	33,598
Average rig margin per day	\$	8,537	\$	19,785

Rig utilization

37%

50%

The International Land segment had an operating loss of \$5.0 million for the third quarter of fiscal 2016 compared to operating income of \$19.0 million in the same period of fiscal 2015. Included in International land revenues for the three months ended June 30, 2016 and 2015 are reimbursements for out-of-pocket expenses of \$3.8 million and \$8.5 million, respectively. Also included in revenue for the three months ended June 30, 2015 is early termination revenue of \$17.3 million.

Excluding early termination per day revenue of \$9,413 in the third quarter of fiscal 2015, average rig revenue per day for the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015 decreased by \$9,277 to \$34,693. Low oil prices continued to have a negative effect on customer spending. Some customers have not renewed expiring contracts while others, during the first nine months of fiscal 2015, elected to terminate fixed-term contracts early. As a result, we experienced a 31% decrease in revenue days when comparing the third fiscal quarter of 2016 to the same period in 2015. During the current quarter, an average of 14.0 rigs worked compared to an average of 20.2 rigs in the third quarter of fiscal 2015. We expect revenue days to increase in the fourth quarter of fiscal 2016 due to two idle rigs returning to work during the quarter.

Table of Contents

During the third quarter of fiscal 2016, we incurred \$924 expense per day associated with employee severance expense for early retirement and workforce reductions. Excluding the \$924 per day impact, average rig expense per day decreased \$8,366. The decrease is primarily attributable to startup costs incurred from rigs transferred to the segment during the three months ended June 30, 2015.

Excluding the impact of early termination revenue and employee severance expense, average rig margin decreased \$911 to \$9,461 for the third quarter of fiscal 2016 from \$10,372 for the third quarter of fiscal 2015.

RESEARCH AND DEVELOPMENT

For the three months ended June 30, 2016 and 2015, we incurred \$2.7 million and \$3.3 million, respectively, of research and development expenses related to ongoing development of a rotary steerable system.

OTHER

General and administrative expenses increased \$17.2 million for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Contributing to the increase were expenses related to employee work force reduction including employee severance expenses, additional pension expense and employer match to our 401k/Employee Thrift Plan due to regulatory requirements.

Income tax expense decreased to \$2.8 million in the third quarter of fiscal 2016 from \$39.3 million in the third quarter of fiscal 2015, and the effective tax rate decreased to -15.5 percent from 30.2 percent. We expect the effective tax rate for the remaining quarter of fiscal 2016 to be approximately 58.0 percent.

Nine Months Ended June 30, 2016 vs. Nine Months Ended June 30, 2015

We reported income from continuing operations of \$16.0 million (\$0.13 per diluted share) from operating revenues of \$1.3 billion for the nine months ended June 30, 2016, compared with income from continuing operations and net income of \$448.0 million (\$4.10 per diluted share) from operating revenues of \$2.6 billion for the nine months of fiscal year 2015. Including discontinued operations, we recorded net income of \$16.0 million (\$0.13 per diluted share) for the nine months ended June 30, 2016. Income from continuing operations for the first nine months of fiscal 2016 includes approximately \$4.7 million (\$0.04 per diluted share) of after-tax gains from the sale of assets. Net income for the first nine months of fiscal 2015 includes approximately \$5.5 million (\$0.05 per diluted share) of after-tax gains from the sale of assets.

In March 2016, the Venezuelan government implemented the previously announced plans for a new foreign currency exchange system. The implementation of this system resulted in a reported loss from discontinued operations of \$3.9 million (\$0.04 loss per diluted share) for the nine months ended June 30, 2016, all of which corresponds to the Company's former operations in Venezuela.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

The following tables summarize operations by reportable operating segment for the nine months ended June 30, 2016 and 2015. Operating statistics in the tables exclude the effects of offshore platform and international management contracts, and do not include reimbursements of out-of-pocket expenses in revenue, expense and margin per day calculations. Per day calculations for international operations also exclude gains and losses from translation of foreign currency transactions. Segment operating income is described in detail in Note 11 to the Consolidated Condensed Financial Statements.

	Nine Months Ended June 30,			
	2016		2015	
	(in thousands, except days and per day amounts)			
U.S. LAND OPERATIONS				
Revenues	\$	1,004,116	\$	2,103,125
Direct operating expenses		460,119		1,034,724
General and administrative expense		38,790		34,785
Depreciation		355,102		368,894
Asset impairment charge		6,250		
Segment operating income	\$	143,855	\$	664,722
Revenue days		29,029		62,376
Average rig revenue per day	\$	32,251	\$	30,538
Average rig expense per day	\$	13,532	\$	13,410
Average rig margin per day	\$	18,719	\$	17,128
Rig utilization		31%		68%

U.S. Land segment operating income decreased to \$143.9 million for the first nine months of fiscal 2016 compared to \$664.7 million in the same period of fiscal 2015. Revenues were \$1.0 billion and \$2.1 billion in the first nine months of fiscal 2016 and 2015,

Table of Contents

respectively. Included in U.S. land revenues for the nine months ended June 30, 2016 and 2015 are reimbursements for out-of-pocket expenses of \$67.9 million and \$198.3 million, respectively. Also included in revenue for the nine months ended June 30, 2016 is early termination revenue of \$189.2 million compared to \$170.1 million during the same period of fiscal 2015.

Excluding early termination per day revenue of \$6,517 and \$2,727 for the first nine months of fiscal 2016 and fiscal 2015, respectively, average rig revenue per day for the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015 decreased by \$2,077 to \$25,734. Low oil prices continued to have a negative effect on customer spending. Some customers did not renew expiring contracts while others elected to terminate fixed-term contracts early. As a result, we experienced a 53% decrease in revenue days when comparing the first nine months of 2016 to the same period in 2015. Fixed-term contracts customarily provide for termination at the election of the customer, with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term (except in limited circumstances including sustained unacceptable performance by us).

Depreciation decreased \$13.8 million in the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015. The decrease is primarily due to the decommissioning of 23 rigs in fiscal 2015. Included in depreciation are abandonments of \$0.7 million and \$13.0 million, respectively, for the nine months ended June 30, 2016 and 2015. During the nine months ended June 30, 2016, we recorded an asset impairment charge of \$6.3 million to reduce the carrying value in used drilling equipment classified as held for sale to their estimated fair values, based on expected sales prices. The used drilling equipment is from rigs that were decommissioned from service in prior fiscal periods and written down to their estimated recoverable value at the time of decommissioning.

U.S. land rig utilization decreased to 31 percent for the first nine months of 2016 compared to 68 percent for the first nine months of fiscal 2015. U.S. land rig revenue days for the first nine months of fiscal 2016 were 29,029 compared with 62,376 for the same period of fiscal 2015, with an average of 105.9 and 228.5 rigs working during the first nine months of fiscal 2016 and 2015, respectively. We expect rig utilization to increase in the fourth quarter of fiscal 2016 primarily due to some rigs returning to work.

At June 30, 2016, 89 out of 348 existing rigs in the U.S. Land segment were contracted. Of the 89 contracted rigs, 75 were under fixed term contracts and 14 were working in the spot market. As of July 28, 2016, 91 rigs were contracted in the segment. Based on received early termination notices, early termination revenue is expected to be approximately \$30 million during the fourth fiscal quarter of 2016.

	Nine Months Ended June 30,	
	2016	2015
	(in thousands, except days and per day amounts)	(as adjusted)
OFFSHORE OPERATIONS		
Revenues	\$ 106,697	\$ 189,386
Direct operating expenses	81,607	122,750
General and administrative expense	2,674	2,468
Depreciation	9,311	8,782
Segment operating income	\$ 13,105	\$ 55,386
Revenue days	2,064	2,331
Average rig revenue per day	\$ 27,086	\$ 48,136
Average rig expense per day	\$ 19,721	\$ 30,126
Average rig margin per day	\$ 7,365	\$ 18,010
Rig utilization	84%	95%

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Offshore revenues include reimbursements for out-of-pocket expenses of \$17.7 million and \$21.5 million for the first nine months ended June 30, 2016 and 2015, respectively.

Average rig revenue per day and average rig margin per day decreased in the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015 primarily due to several rigs moving to lower pricing while on standby or other special dayrates.

At the end of June 30, 2016, seven platform rigs were contracted compared to eight at June 30, 2015 resulting in a lower rig utilization for the nine months ended June 30, 2016 compared to the nine months ended June 30, 2015.

Table of Contents

Nine Months Ended June 30,
2016 **2015**
(in thousands, except days and per day amounts) (as adjusted)

INTERNATIONAL LAND OPERATIONS

Revenues	\$	171,529	\$	304,262
Direct operating expenses		140,351		219,916
General and administrative expense		2,377		2,256
Depreciation		42,725		41,951
Segment operating income (loss)	\$	(13,924)	\$	40,139
Revenue days		3,992		5,676
Average rig revenue per day	\$	39,382	\$	48,398
Average rig expense per day	\$	29,050	\$	33,769
Average rig margin per day	\$	10,332	\$	14,629
Rig utilization		38%		53%

The International Land segment had an operating loss of \$13.9 million for the first nine months of fiscal 2016 compared to operating income of \$40.1 million in the same period of fiscal 2015. Included in International land revenues for the nine months ended June 30, 2016 and 2015 are reimbursements for out-of-pocket expenses of \$14.3 million and \$29.6 million, respectively. Also included in revenue for the nine months ended June 30, 2015 is early termination revenue of \$18.7 million.

Included in direct operating expenses for the nine months ended June 30, 2016 is \$10.0 million of foreign currency transaction losses, primarily due to a devaluation of the Argentine peso in December 2015.

Excluding early termination per day revenue of \$3,293 in the first nine months of fiscal 2015, average rig margin per day for the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015 decreased by \$1,004 to \$10,332. Low oil prices continued to have a negative effect on customer spending. Some customers have not renewed expiring contracts while others, during the first nine months of fiscal 2015, elected to terminate fixed-term contracts early. As a result, we experienced a 30% decrease in revenue days when comparing the first nine months of 2016 to the same period in 2015. During the first nine months of fiscal 2016, an average of 14.6 rigs worked compared to an average of 20.8 rigs in the first nine months of fiscal 2015. We expect revenue days to increase in the fourth quarter of fiscal 2016 due to two idle rigs returning to work during the quarter.

RESEARCH AND DEVELOPMENT

For the nine months ended June 30, 2016 and 2015, we incurred \$7.9 million and \$12.3 million, respectively, of research and development expenses related to ongoing development of a rotary steerable system.

OTHER

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

General and administrative expenses increased \$15.4 million for the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015. Contributing to the increase were expenses related to employee work force reductions including employee severance expenses, additional pension expense and employer match to our 401k/Employee Thrift Plan due to regulatory requirements.

Interest expense, net of amounts capitalized, totaled \$16.7 million and \$9.3 million for the nine months ended June 30, 2016 and 2015, respectively. Interest expense is primarily attributable to fixed-rate debt outstanding. The increase in interest expense in the comparative quarters is primarily due to the issuance of \$500 million unsecured senior notes in March 2015.

Income tax expense decreased to \$33.7 million in the first nine months of fiscal 2016 from \$243.9 million in the first nine months of fiscal 2015, and the effective tax rate increased to 62.9 percent from 35.2 percent. The effective tax rate for the nine months ended June 30, 2016 was impacted by a December 2015 tax law change which resulted in a reduction of the fiscal 2015 Internal Revenue Code Section 199 deduction for domestic production activities. We expect the effective tax rate for fiscal 2016 to be between 75 percent and 80 percent.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

Liquidity

Cash and cash equivalents increased to \$907.0 million at June 30, 2016 from \$729.4 million at September 30, 2015. The following table provides a summary of cash flows:

	Nine Months Ended June 30,	
	2016	2015 (as adjusted)
	(in thousands)	
Net cash provided (used) by:		
Operating activities	\$ 615,410	\$ 1,151,556
Investing activities	(211,022)	(953,845)
Financing activities	(226,740)	216,522
Increase in cash and cash equivalents	\$ 177,648	\$ 414,233

Operating activities

Cash flows from operating activities were approximately \$615.4 million for the nine months ended June 30, 2016 compared to approximately \$1.2 billion for the same period ended June 30, 2015. Multiple items contributed to the change, including lower net income, lower deferred income tax expenses, and lower net changes in current assets and current liabilities in the first nine months of fiscal 2016 compared to the same period in fiscal 2015.

Investing activities

Capital expenditures during the nine months ended June 30, 2016 were \$219.5 million compared to \$971.6 million during the nine months ended June 30, 2015. The decrease is primarily due to the reduction in the number of new rigs built during the comparative periods.

Financing activities

Cash used in financing activities for the first nine months of 2016 was comprised primarily of dividends paid of \$224.0 million. During the nine months ended June 30, 2015, we received proceeds from senior notes, net of discount and debt issuance costs of \$491.9 million. Additionally, during the first nine months of fiscal 2015, we purchased 810,097 common shares at an aggregate cost of \$59.7 million and paid dividends of \$223.8 million.

Other Liquidity

Our operating cash requirements, scheduled debt repayments, interest payments, dividend payments, any stock repurchases and estimated capital expenditures, including our rig construction program, for fiscal 2016 are expected to be funded through cash and cash provided from operating activities. Given current market conditions, there can be no assurance that we will continue to generate cash flows at current levels. Our indebtedness totaled \$532.4 million at June 30, 2016, of which a \$40.0 million scheduled principal payment was paid in July, 2016. Subsequent to June 30, 2016, we terminated an unsecured \$300 million revolving credit facility and obtained a new unsecured \$300 million revolving credit facility. There were no borrowings against the credit facility. For additional information regarding debt agreements, refer to Note 8 of the Consolidated Condensed Financial Statements.

Backlog

Our contract drilling backlog, being the expected future revenue from executed contracts with original terms in excess of one year, as of June 30, 2016 and September 30, 2015 was \$2.0 billion and \$3.1 billion, respectively. The decrease in backlog at June 30, 2016 from September 30, 2015 is primarily due to the revenue earned since September 30, 2015 and the expiration and termination of long-term contracts. Approximately 87.8 percent of the June 30, 2016 backlog is not reasonably expected to be filled in fiscal 2016. Included in backlog is early termination revenue expected to be recognized after the periods presented in which early termination notice was received prior to the end of the period. In addition, a portion of the backlog represents term contracts for new rigs that will be deployed in the future.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

Table of Contents

The following table sets forth the total backlog by reportable segment as of June 30, 2016 and September 30, 2015, and the percentage of the June 30, 2016 backlog not reasonably expected to be filled in fiscal 2016:

Reportable Segment	Three Months Ended			Percentage Not Reasonably Expected to be Filled in Fiscal 2016	
	June 30, 2016	September 30, 2015			
	(in billions)				
U.S. Land	\$	1.4	\$	2.2	85.9%
Offshore		0.1		0.1	87.2%
International Land		0.5		0.8	92.6%
	\$	2.0	\$	3.1	

Fixed-term contracts customarily provide for termination at the election of the customer, with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term. However, in some limited circumstances, such as sustained unacceptable performance by us, no early termination payment would be paid to us. Also, our customers may be unable to perform their contractual obligations. Accordingly, the actual amount of revenue earned may vary from the backlog reported. See the risk factors under Item 1A. Risk Factors of our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission, regarding fixed term contract risk.

Capital Resources

During the three months ended June 30, 2016, we completed one new FlexRig. We plan to complete one more FlexRig during this calendar year and then our scheduled building of new FlexRigs will be complete. As in prior fiscal periods, the new FlexRig is committed to work for an exploration and production company under a fixed-term contract, performing drilling services on a daywork contract basis.

Our capital spending estimate for fiscal 2016 is expected to be in the range of \$300 million to \$350 million. The actual spending level may vary depending primarily on actual maintenance capital requirements and market driven special projects related to the further enhancement of our existing fleet. Capital expenditures were \$219.5 million and \$971.6 million for the first nine months of fiscal 2016 and 2015, respectively.

There were no other significant changes in our financial position since September 30, 2015.

MATERIAL COMMITMENTS

Material commitments as reported in our 2015 Annual Report on Form 10-K have not changed significantly at June 30, 2016.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies and estimates that are critical or the most important to understand our financial condition and results of operations and that require management to make the most difficult judgments are described in our 2015 Annual Report on Form 10-K. There have been no material changes in these critical accounting policies and estimates.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes virtually all existing revenue recognition guidance. In May 2016, accounting guidance was issued to clarify the not yet effective revenue recognition guidance issued in May 2014. This additional guidance does not change the core principle of the revenue recognition guidance issued by the FASB in May 2014, rather, it provides clarification of accounting for collections of sales taxes as well as recognition of revenue (i) associated with contract modifications, (ii) for noncash consideration, and (iii) based on the collectability of the consideration from the customer. The ASU provides for full retrospective, modified retrospective, or use of the cumulative effect method during the period of adoption. We have not yet determined which adoption method we will employ. In July 2015, the FASB extended the effective date of this standard to interim and annual periods beginning on or after December 15, 2017. We are currently evaluating the potential effects of the adoption of this update on our financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The provisions of ASU 2016-01 are effective for interim and annual periods starting after December 15, 2017. At adoption,

Table of Contents

a cumulative-effect adjustment to beginning retained earnings will be recorded. We will adopt this standard on October 1, 2018. Subsequent to adoption, changes in the fair value of our available-for-sale investments will be recognized in net income and the effect will be subject to stock market fluctuations.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes* requiring all deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, however, we have elected to early adopt effective October 1, 2015 prospectively. As a result of the adoption, we will no longer have deferred income taxes as a current asset in our Consolidated Condensed Balance Sheet.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require organizations that lease assets referred to as lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU 2016-02, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Lessor accounting remains substantially similar to current GAAP. In addition, disclosures of leasing activities are to be expanded to include qualitative along with specific quantitative information. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2016-02 mandates a modified retrospective transition method. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a description of our market risks, see

- Note 4 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof with regard to equity price risk is incorporated herein by reference;
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 25, 2015;
- Note 8 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof with regard to interest rate risk is incorporated herein by reference;
- Note 14 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof with regard to foreign currency exchange rate risk is incorporated herein by reference; and
- Risk Factors in Item 1A of Part II hereof with regard to commodity price risk and foreign currency exchange risk.

ITEM 4. CONTROLS AND PROCEDURES

Beginning in fiscal 2015, we began designing and implementing a new enterprise resource planning system. We are implementing aspects of this system in discrete phases and the initial and most significant transition from our current system to the new system occurred in February 2016. As we move forward, this implementation will continue to require us to monitor and maintain appropriate internal control over financial reporting. While we expect that our internal controls over financial reporting will remain largely similar or unchanged, it is possible that in the process, we may make changes to our internal control over financial reporting that could materially affect our internal control over financial reporting. In addition, it is possible that during future phases of the implementation, we may make changes to our internal control over financial reporting that may not materially affect our internal control over financial reporting, but, when fully implemented, the cumulative effect of the changes made may be considered material.

As of the end of the period covered by this report, an evaluation was performed with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2016 at ensuring that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There have been no changes in our internal controls over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Investigation by the U.S. Attorney. On November 8, 2013, the United States District Court for the Eastern District of Louisiana approved the previously disclosed October 30, 2013 plea agreement between our wholly owned subsidiary, Helmerich & Payne International Drilling Co., and the United States Department of Justice, United States Attorney's Office for the Eastern District of Louisiana (DOJ). The court's approval of the plea agreement resolved the DOJ's investigation into certain choke manifold testing irregularities that occurred in 2010 at one of Helmerich & Payne International Drilling Co.'s offshore platform rigs in the Gulf of Mexico. We have been engaged in discussions with the Inspector General's office of the Department of Interior regarding the same events that were the subject of the DOJ's investigation. We can provide no assurances as to the timing or eventual outcome of these discussions and are unable to determine the amount of penalty, if any, that may be assessed. However, we presently believe that the outcome of our discussions will not have a material adverse effect on the Company.

Venezuela Expropriation. Our wholly-owned subsidiaries, Helmerich & Payne International Drilling Co. and Helmerich & Payne de Venezuela, C.A. filed a lawsuit in the United States District Court for the District of Columbia on September 23, 2011 against the Bolivarian Republic of Venezuela, Petroleos de Venezuela, S.A. (PDVSA) and PDVSA Petroleo, S.A. (Petroleo). We are seeking damages for the taking of our Venezuelan drilling business in violation of international law and for breach of contract. While there exists the possibility of realizing a recovery, we are currently unable to determine the timing or amounts we may receive, if any, or the likelihood of recovery.

Keel Litigation. On or about April 28, 2015, Joshua Keel (Keel), an employee of Helmerich & Payne International Drilling Co. (HPIDC), filed a petition in the 152nd Judicial Court for Harris County, Texas (Cause No. 2015-24531) against Helmerich & Payne Inc., HPIDC, the operator, and several subcontractors of the operator. The suit arises from injuries Keel sustained in an accident that occurred while he was working on HPIDC Rig 223 in New Mexico in July of 2014. Keel alleges that the defendants were negligent and negligent *per se*, acted recklessly, intentionally, and/or with an utterly wanton disregard for the rights and safety of the plaintiff and has recently indicated he will seek damages well in excess of \$100 million. Pursuant to the terms of the drilling contract between HPIDC and the operator, HPIDC has indemnified most of the co-defendants in the lawsuit, subject to certain reservations. We believe we have meritorious defenses to this matter and intend to vigorously defend the Company and HPIDC, both of whom have motions for summary judgment pending. The trial for this matter is set to begin September 19, 2016. We will continue to defend our position and will look to our insurance carriers to respond to any liability that may arise from this incident, including our contractual indemnity obligations; however, we cannot predict the outcome. We have accrued the amount of our self-insured retention.

ITEM 1A. RISK FACTORS

Our business depends on the level of activity in the oil and natural gas industry, which is significantly impacted by the volatility of oil and natural gas prices and other factors, including the recent decline in oil prices.

Our business depends on the conditions of the land and offshore oil and natural gas industry. Demand for our services depends on oil and natural gas industry exploration and production activity and expenditure levels, which are directly affected by trends in oil and natural gas prices. Oil and natural gas prices, and market expectations regarding potential changes to these prices, significantly affect oil and natural gas industry activity.

In June 2014, oil prices reached over \$106 per barrel and then began to decline significantly during the second half of 2014 and continued to decline in 2015 closing below \$40 per barrel by December 31, 2015. During early 2016, oil prices dropped below \$30 per barrel before recovering to recent price levels of over \$40 per barrel. As a result, many of our customers announced significant reductions in their 2016 capital spending budgets. At June 30, 2015, 153 out of an available 341 land rigs were working in the U.S. Land segment. In contrast, at June 30, 2016, 89 out of an available 348 land rigs were contracted in the U.S. Land segment. At July 28, 2016, 91 rigs were contracted in the U.S. Land segment. In the event oil prices remain depressed for a sustained period, or decline further, our U.S. Land, International Land and Offshore segments may experience further, significant declines in both drilling activity and spot dayrate pricing which could have a material adverse effect on our business, financial condition and results of operations.

Oil and natural gas prices are impacted by many factors beyond our control, including:

- the demand for oil and natural gas;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- the worldwide economy;
- expectations about future oil and natural gas prices;

Table of Contents

- domestic and international tax policies;
- political and military conflicts in oil producing regions or other geographical areas or acts of terrorism in the U.S. or elsewhere;
- technological advances;
- the development and exploitation of alternative fuels;
- local and international political, economic and weather conditions;
- the ability of The Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels and pricing;
- the level of production by OPEC and non-OPEC countries; and
- the environmental and other laws and governmental regulations regarding exploration and development of oil and natural gas reserves.

The level of land and offshore exploration, development and production activity and the price for oil and natural gas is volatile and is likely to continue to be volatile in the future. Higher oil and natural gas prices do not necessarily translate into increased activity because demand for our services is typically driven by our customer's expectations of future commodity prices. However, a sustained decline in worldwide demand for oil and natural gas or prolonged low oil or natural gas prices would likely result in reduced exploration and development of land and offshore areas and a decline in the demand for our services, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the political, economic and social instability risks and local laws associated with doing business in certain foreign countries.

We currently have operations in South America, the Middle East and Africa. In the future, we may further expand the geographic reach of our operations. As a result, we are exposed to certain political, economic and other uncertainties not encountered in U.S. operations, including increased risks of social unrest, strikes, terrorism, war, kidnapping of employees, nationalization, forced negotiation or modification of contracts, difficulty resolving disputes and enforcing contract provisions, expropriation of equipment as well as expropriation of oil and gas exploration and drilling rights, taxation policies, foreign exchange restrictions and restrictions on repatriation of income and capital, currency rate fluctuations, increased governmental ownership and regulation of the economy and industry in the markets in which we operate, economic and financial instability of national oil companies, and restrictive governmental regulation, bureaucratic delays and general hazards associated with foreign sovereignty over certain areas in which operations are conducted.

South American countries, in particular, have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and general economic and political instability. From time to time these risks have impacted our business. For example, on June 30, 2010, the Venezuelan government expropriated 11 rigs and associated real and personal property owned by our Venezuelan subsidiary. Prior thereto, we also experienced currency devaluation losses in Venezuela and difficulty repatriating U.S. dollars to the United States. Today, our contracts for work in foreign countries generally provide for payment in U.S. dollars. However, in Argentina we are paid in Argentine pesos.

Edgar Filing: Helmerich & Payne, Inc. - Form 10-Q

The Argentine branch of one of our second-tier subsidiaries then remits U.S. dollars to its U.S. parent by converting the Argentine pesos into U.S. dollars through the Argentine Foreign Exchange Market and repatriating the U.S. dollars. In the future, other contracts or applicable law may require payments to be made in foreign currencies. As such, there can be no assurance that we will not experience in Argentina or elsewhere a devaluation of foreign currency, foreign exchange restrictions or other difficulties repatriating U.S. dollars even if we are able to negotiate contract provisions designed to mitigate such risks.

In December 2015, the Company experienced aggregate foreign currency losses of \$8.5 million for the three months ended December 31, 2015. The losses are primarily the result of a sharp devaluation of the Argentine peso in December 2015. It is expected that the Argentine peso will be allowed to float in the free exchange market and foreign exchange restrictions will be less prohibitive. However, whether in Argentina or elsewhere, in the event of future payments in foreign currencies and an inability to timely exchange foreign currencies for U.S. dollars, we may incur currency devaluation losses which could have a material adverse impact on our business, financial condition and results of operations.

In March 2016, the Venezuelan government implemented the previously announced plans for a new foreign currency exchange system. The implementation of this system resulted in a reported loss from discontinued operations of \$4.0 million in the second fiscal quarter of 2016, all of which corresponds to the Company's former operations in Venezuela.

Additionally, there can be no assurance that there will not be changes in local laws, regulations and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of our operations or on our ability to continue operations in certain areas. Because of the impact of local laws, our future operations in certain areas may be conducted through

Table of Contents

entities in which local citizens own interests and through entities (including joint ventures) in which we hold only a minority interest or pursuant to arrangements under which we conduct operations under contract to local entities. While we believe that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on our operations or revenues, there can be no assurance that we will in all cases be able to structure or restructure our operations to conform to local law (or the administration thereof) on terms we find acceptable.

Although we attempt to minimize the potential impact of such risks by operating in more than one geographical area, during the nine months ended June 30, 2016, approximately 13.3 percent of our consolidated operating revenues were generated from international locations in our contract drilling business. During the nine months ended June 30, 2016, approximately 80.7 percent of operating revenues from international locations were from operations in South America. All of the South American operating revenues were from Argentina, Colombia and Ecuador. The future occurrence of one or more international events arising from the types of risks described above could have a material adverse impact on our business, financial condition and results of operations.

Other risk factors

Reference is made to the risk factors pertaining to the Company's securities portfolio and current backlog of contract drilling revenue in Item 1A of Part 1 of the Company's Form 10-K for the year ended September 30, 2015. In order to update these risk factors for developments that have occurred during the first nine months of fiscal 2016, the risk factors are hereby amended and updated by reference to, and incorporation herein of Note 4 to the Consolidated Condensed Financial Statements contained in Item 1 of Part I hereof (regarding our securities portfolio) and Liquidity and Capital Resources Backlog contained in Item 2 of Part I hereof.

Except as discussed above for the nine months ended June 30, 2016, there have been no material changes to the risk factors disclosed in Item 1A of Part 1 in our Form 10-K.

Table of Contents

ITEM 6. EXHIBITS

The following documents are included as exhibits to this Form 10-Q. Those exhibits below that are incorporated herein by reference are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, the exhibit is filed or furnished herewith.

Exhibit Number	Description
10.1	Change of Control Agreement applicable to Chief Executive Officer of Helmerich & Payne, Inc.
10.2	Form of Change of Control Agreement applicable to certain officers (other than CEO) and employees of Helmerich & Payne, Inc.
31.1	Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the quarterly report on Form 10-Q of Helmerich & Payne, Inc. for the quarter ended June 30, 2016, filed on August 5, 2016, formatted in Extensive Business Reporting Language (XBRL): (i) the Consolidated Condensed Statements of Operations, (ii) the Consolidated Condensed Statements of Comprehensive Income, (iii) the Consolidated Condensed Balance Sheets, (iv) the Consolidated Condensed Statements of Stockholders' Equity, (v) the Consolidated Condensed Statements of Cash Flows and (vi) the Notes to Consolidated Condensed Financial Statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HELMERICH & PAYNE, INC.
(Registrant)

Date: August 5, 2016

By: /S/ JOHN W. LINDSAY
John W. Lindsay, Chief Executive Officer

Date: August 5, 2016

By: /S/ JUAN PABLO TARDIO
Juan Pablo Tardio, Chief Financial Officer
(Principal Financial Officer)

Table of Contents

EXHIBIT INDEX

The following documents are included as exhibits to this Form 10-Q. Those exhibits below that are incorporated herein by reference are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, the exhibit is filed or furnished herewith.

Exhibit Number	Description
10.1	Change of Control Agreement applicable to Chief Executive Officer of Helmerich & Payne, Inc.
10.2	Form of Change of Control Agreement applicable to certain officers (other than CEO) and employees of Helmerich & Payne, Inc.
31.1	Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the quarterly report on Form 10-Q of Helmerich & Payne, Inc. for the quarter ended June 30, 2016, filed on August 5, 2016, formatted in Extensive Business Reporting Language (XBRL): (i) the Consolidated Condensed Statements of Operations, (ii) the Consolidated Condensed Statements of Comprehensive Income, (iii) the Consolidated Condensed Balance Sheets, (iv) the Consolidated Condensed Statements of Stockholders' Equity, (v) the Consolidated Condensed Statements of Cash Flows and (vi) the Notes to Consolidated Condensed Financial Statements.