

Noble Corp plc  
Form 10-Q  
November 07, 2016

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

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FORM 10-Q

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

For the quarterly period ended: September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36211

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Noble Corporation plc  
(Exact name of registrant as specified in its charter)

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England and Wales (Registered Number 08354954) 98-0619597  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification number)  
Devonshire House, 1 Mayfair Place, London, England, W1J8AJ  
(Address of principal executive offices) (Zip Code)  
Registrant's Telephone Number, Including Area Code: +44 20 3300 2300  
Commission file number: 001-31306

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Noble Corporation  
(Exact name of registrant as specified in its charter)

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Cayman Islands 98-0366361  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification number)  
Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327 George Town, Grand Cayman, Cayman Islands,  
KY1-1206  
(Address of principal executive offices) (Zip Code)  
Registrant's Telephone Number, Including Area Code: (345) 938-0293

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Indicate by check mark whether each 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 each registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Noble Corporation plc:  Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Noble Corporation:  Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Number of shares outstanding and trading at October 21, 2016: Noble Corporation plc — 243,233,371

Number of shares outstanding: Noble Corporation — 261,245,693

Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation plc, a public limited company incorporated under the laws of England and Wales, meets the conditions set forth in General Instructions H(1) (a) and (b) to Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with the reduced disclosure format contemplated by paragraphs (b) and (c) of General Instruction H(2) of Form 10-Q.

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This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation plc, a public limited company incorporated under the laws of England and Wales (“Noble-UK”), and Noble Corporation, a Cayman Islands company (“Noble-Cayman”). Information in this filing relating to Noble-Cayman is filed by Noble-UK and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-UK (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-UK. Since Noble-Cayman meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q, it is permitted to use the reduced disclosure format for wholly-owned subsidiaries of reporting companies as stated in General Instructions H(2). Accordingly, Noble-Cayman has omitted from this report the information called for by Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following items of Part II of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities). This report should be read in its entirety as it pertains to each Registrant. Except where indicated, the Consolidated Financial Statements and related Notes are combined. References in this Quarterly Report on Form 10-Q to “Noble,” the “Company,” “we,” “us,” “our” and words of similar meaning refer collectively to Noble-UK and its consolidated subsidiaries, including Noble-Cayman.



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$426,052	\$512,245
Accounts receivable	319,567	498,931
Taxes receivable	35,387	55,525
Prepaid expenses and other current assets	102,778	173,917
Total current assets	883,784	1,240,618
Property and equipment, at cost	14,604,796	14,056,323
Accumulated depreciation	(3,013,008 )	(2,572,700 )
Property and equipment, net	11,591,788	11,483,623
Other assets	108,566	141,404
Total assets	\$12,584,138	\$12,865,645
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$299,762	\$299,924
Accounts payable	114,392	223,221
Accrued payroll and related costs	53,377	81,464
Taxes payable	98,019	87,940
Interest payable	46,040	72,961
Other current liabilities	72,528	98,074
Total current liabilities	684,118	863,584
Long-term debt	3,830,224	4,162,638
Deferred income taxes	11,487	92,797
Other liabilities	300,326	324,396
Total liabilities	4,826,155	5,443,415
Commitments and contingencies		
Shareholders' equity		
Shares; 243,233 and 241,977 shares outstanding	2,432	2,420
Additional paid-in capital	646,601	628,483
Retained earnings	6,457,071	6,131,501
Accumulated other comprehensive loss	(61,169 )	(63,175 )
Total shareholders' equity	7,044,935	6,699,229
Noncontrolling interests	713,048	723,001
Total equity	7,757,983	7,422,230
Total liabilities and equity	\$12,584,138	\$12,865,645

See accompanying notes to the unaudited consolidated financial statements.



NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating revenues				
Contract drilling services	\$373,257	\$873,813	\$1,841,321	\$2,424,481
Reimbursables	11,733	22,858	50,272	70,087
Other	163	—	316	—
	385,153	896,671	1,891,909	2,494,568
Operating costs and expenses				
Contract drilling services	207,204	293,067	702,628	934,024
Reimbursables	9,142	17,783	39,446	55,592
Depreciation and amortization	155,242	160,652	455,907	473,913
General and administrative	15,773	15,196	54,346	61,558
Loss on impairment	—	—	16,616	—
	387,361	486,698	1,268,943	1,525,087
Operating income (loss)	(2,208 )	409,973	622,966	969,481
Other income (expense)				
Interest expense, net of amount capitalized	(52,569 )	(54,687 )	(166,975 )	(161,196 )
Gain on extinguishment of debt, net	—	—	11,066	—
Interest income and other, net	540	30,934	(1,443 )	37,085
Income (loss) before income taxes	(54,237 )	386,220	465,614	845,370
Income tax benefit (provision)	10,002	(41,789 )	(40,317 )	(124,641 )
Net income (loss)	(44,235 )	344,431	425,297	720,729
Net income attributable to noncontrolling interests	(10,846 )	(18,624 )	(52,027 )	(57,488 )
Net income (loss) attributable to Noble Corporation plc	\$(55,081 )	\$325,807	\$373,270	\$663,241
Per share data:				
Basic:	\$(0.23 )	\$1.32	\$1.48	\$2.68
Diluted:	\$(0.23 )	\$1.32	\$1.48	\$2.68

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss)	\$(44,235)	\$344,431	\$425,297	\$720,729
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(543 )	(2,694 )	263	(4,568 )
Foreign currency forward contracts	463	(1,271 )	(605 )	(1,362 )
Amortization of deferred pension plan amounts (net of tax provision of \$408 and \$575 for the three months ended September 30, 2016 and 2015, respectively, and \$1,227 and \$1,723 for the nine months ended September 30, 2016 and 2015, respectively)	781	1,106	2,348	3,316
Other comprehensive income (loss), net	701	(2,859 )	2,006	(2,614 )
Net comprehensive income attributable to noncontrolling interests	(10,846 )	(18,624 )	(52,027 )	(57,488 )
Comprehensive income (loss) attributable to Noble Corporation plc	\$(54,380)	\$322,948	\$375,276	\$660,627

See accompanying notes to the unaudited consolidated financial statements.



NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities		
Net income	\$425,297	\$720,729
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	455,907	473,913
Loss on impairment	16,616	—
Gain on extinguishment of debt, net	(11,066 )	—
Deferred income taxes	(82,774 )	(76,012 )
Amortization of share-based compensation	27,222	30,296
Net change in other assets and liabilities	131,473	103,299
Net cash from operating activities	962,675	1,252,225
Cash flows from investing activities		
Capital expenditures	(592,038 )	(280,048 )
Change in accrued capital expenditures	(41,235 )	(43,440 )
Proceeds from disposal of assets	23,390	2,535
Net cash from investing activities	(609,883 )	(320,953 )
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	—	(1,123,495)
Issuance of senior notes	—	1,092,728
Debt issuance costs on senior notes and credit facilities	—	(16,070 )
Repayment of long-term debt	(300,000 )	(350,000 )
Early repayment of long-term debt	(22,207 )	—
Premiums paid on early repayment of long-term debt	(1,781 )	—
Dividend payments	(47,534 )	(278,443 )
Dividends paid to noncontrolling interests	(61,980 )	(57,048 )
Repurchases of shares	—	(100,630 )
Employee stock transactions	(5,483 )	(2,394 )
Net cash from financing activities	(438,985 )	(835,352 )
Net change in cash and cash equivalents	(86,193 )	95,920
Cash and cash equivalents, beginning of period	512,245	68,510
Cash and cash equivalents, end of period	\$426,052	\$164,430

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY  
(In thousands)  
(Unaudited)

	Shares		Additional Paid-in Capital	Retained Earnings	Accumulated		Total Equity
	Balance	Par Value			Other Comprehensive Loss	Noncontrolling Interests	
Balance at December 31, 2014	247,501	\$ 2,475	\$ 695,638	\$ 5,936,035	\$ (69,418 )	\$ 722,304	\$ 7,287,034
Employee related equity activity							
Amortization of share-based compensation	—	—	30,296	—	—	—	30,296
Issuance of share-based compensation shares	678	7	(4,157 )	—	—	—	(4,150 )
Tax benefit of equity transactions	—	—	(2,401 )	—	—	—	(2,401 )
Repurchases of shares	(6,209 )	(62 )	(100,568 )	—	—	—	(100,630 )
Net income	—	—	—	663,241	—	57,488	720,729
Dividends paid to noncontrolling interests	—	—	—	—	—	(57,048 )	(57,048 )
Dividends	—	—	—	(278,443 )	—	—	(278,443 )
Other comprehensive loss, net	—	—	—	—	(2,614 )	—	(2,614 )
Balance at September 30, 2015	241,970	\$ 2,420	\$ 618,808	\$ 6,320,833	\$ (72,032 )	\$ 722,744	\$ 7,592,773
Balance at December 31, 2015	241,977	\$ 2,420	\$ 628,483	\$ 6,131,501	\$ (63,175 )	\$ 723,001	\$ 7,422,230
Employee related equity activity							
Amortization of share-based compensation	—	—	27,222	—	—	—	27,222
Issuance of share-based compensation shares	1,256	12	(3,609 )	—	—	—	(3,597 )
Tax benefit of equity transactions	—	—	(5,495 )	—	—	—	(5,495 )
Net income	—	—	—	373,270	—	52,027	425,297
Dividends paid to noncontrolling interests	—	—	—	—	—	(61,980 )	(61,980 )
Dividends	—	—	—	(47,700 )	—	—	(47,700 )
Other comprehensive income, net	—	—	—	—	2,006	—	2,006
Balance at September 30, 2016	243,233	\$ 2,432	\$ 646,601	\$ 6,457,071	\$ (61,169 )	\$ 713,048	\$ 7,757,983

See accompanying notes to the unaudited consolidated financial statements.



NOBLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$425,749	\$511,795
Accounts receivable	319,567	498,931
Taxes receivable	35,387	55,442
Prepaid expenses and other current assets	98,995	168,469
Total current assets	879,698	1,234,637
Property and equipment, at cost	14,604,796	14,054,558
Accumulated depreciation	(3,013,008 )	(2,572,331 )
Property and equipment, net	11,591,788	11,482,227
Other assets	101,564	132,319
Total assets	\$ 12,573,050	\$ 12,849,183
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$299,762	\$299,924
Accounts payable	114,117	221,077
Accrued payroll and related costs	53,337	81,364
Taxes payable	98,019	88,108
Interest payable	46,040	72,961
Other current liabilities	71,859	96,331
Total current liabilities	683,134	859,765
Long-term debt	3,830,224	4,162,638
Deferred income taxes	11,487	92,797
Other liabilities	295,443	319,512
Total liabilities	4,820,288	5,434,712
Commitments and contingencies		
Shareholder equity		
Ordinary shares; 261,246 shares outstanding	26,125	26,125
Capital in excess of par value	586,605	561,309
Retained earnings	6,488,153	6,167,211
Accumulated other comprehensive loss	(61,169 )	(63,175 )
Total shareholder equity	7,039,714	6,691,470
Noncontrolling interests	713,048	723,001
Total equity	7,752,762	7,414,471
Total liabilities and equity	\$ 12,573,050	\$ 12,849,183

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating revenues				
Contract drilling services	\$373,257	\$873,813	\$1,841,321	\$2,424,481
Reimbursables	11,733	22,858	50,272	70,087
Other	163	—	1,016	—
	385,153	896,671	1,892,609	2,494,568
Operating costs and expenses				
Contract drilling services	206,072	292,479	697,596	930,925
Reimbursables	9,142	17,783	39,446	55,592
Depreciation and amortization	155,242	160,383	455,853	473,046
General and administrative	12,033	10,376	36,491	36,093
Loss on impairment	—	—	16,616	—
	382,489	481,021	1,246,002	1,495,656
Operating income	2,664	415,650	646,607	998,912
Other income (expense)				
Interest expense, net of amount capitalized	(52,569 )	(54,687 )	(166,975 )	(161,196 )
Gain on extinguishment of debt, net	—	—	11,066	—
Interest income and other, net	568	31,066	(1,368 )	35,613
Income (loss) before income taxes	(49,337 )	392,029	489,330	873,329
Income tax benefit (provision)	9,307	(41,868 )	(40,310 )	(124,962 )
Net income (loss)	(40,030 )	350,161	449,020	748,367
Net income attributable to noncontrolling interests	(10,846 )	(18,624 )	(52,027 )	(57,488 )
Net income (loss) attributable to Noble Corporation	\$(50,876 )	\$331,537	\$396,993	\$690,879

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss)	\$(40,030)	\$350,161	\$449,020	\$748,367
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(543 )	(2,694 )	263	(4,568 )
Foreign currency forward contracts	463	(1,271 )	(605 )	(1,362 )
Amortization of deferred pension plan amounts (net of tax provision of \$408 and \$575 for the three months ended September 30, 2016 and 2015, respectively, and \$1,227 and \$1,723 for the nine months ended September 30, 2016 and 2015, respectively)	781	1,106	2,348	3,316
Other comprehensive income (loss), net	701	(2,859 )	2,006	(2,614 )
Net comprehensive income attributable to noncontrolling interests	(10,846 )	(18,624 )	(52,027 )	(57,488 )
Comprehensive income (loss) attributable to Noble Corporation	\$(50,175)	\$328,678	\$398,999	\$688,265

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities		
Net income	\$449,020	\$748,367
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	455,853	473,046
Loss on impairment	16,616	—
Gain on extinguishment of debt, net	(11,066 )	—
Deferred income taxes	(82,774 )	(76,012 )
Capital contribution by parent - share-based compensation	25,296	21,875
Net change in other assets and liabilities	132,911	78,821
Net cash from operating activities	985,856	1,246,097
Cash flows from investing activities		
Capital expenditures	(592,038 )	(280,048 )
Change in accrued capital expenditures	(41,235 )	(43,440 )
Proceeds from disposal of assets	23,390	2,535
Net cash from investing activities	(609,883 )	(320,953 )
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	—	(1,123,495)
Issuance of senior notes	—	1,092,728
Debt issuance costs on senior notes and credit facilities	—	(16,070 )
Repayment of long-term debt	(300,000 )	(350,000 )
Premiums paid on early repayment of long-term debt	(1,781 )	—
Early repayment of long-term debt	(22,207 )	—
Dividends paid to noncontrolling interests	(61,980 )	(57,048 )
Distributions to parent company, net	(76,051 )	(372,799 )
Net cash from financing activities	(462,019 )	(826,684 )
Net change in cash and cash equivalents	(86,046 )	98,460
Cash and cash equivalents, beginning of period	511,795	65,780
Cash and cash equivalents, end of period	\$425,749	\$164,240

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Balance	Par Value					
Balance at December 31, 2014	261,246	\$ 26,125	\$ 530,657	\$ 6,009,114	\$ (69,418 )	\$ 722,304	\$ 7,218,782
Distributions to parent company, net	—	—	—	(372,799 )	—	—	(372,799 )