

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 02/04/15 for the Period Ending 02/04/15

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
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SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil & Gas Drilling
Sector	Energy
Fiscal Year	09/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

DATE OF EARLIEST EVENT REPORTED: **February 4, 2015**

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

State of Incorporation: **Delaware**

COMMISSION FILE NUMBER **1-4221**

Internal Revenue Service — Employer Identification No. **73-0679879**

1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119

(Address of Principal Executive Offices)

(918)742-5531

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 7.01 REGULATION FD DISCLOSURE

Helmerich & Payne, Inc. (the “Company”) will discuss information to be distributed in investor meetings that includes the slides attached as Exhibit 99.1 to this Current Report on Form 8-K, which are incorporated herein by reference.

This information is not “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing made pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. The furnishing of these slides is not intended to constitute a representation that such information is required by Regulation FD or that the materials they contain include material information that is not otherwise publicly available.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Slides to be distributed in investor meetings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly authorized the undersigned to sign this report on its behalf.

HELMERICH & PAYNE, INC.
(Registrant)

/s/ Steven R. Mackey
Steven R. Mackey
Executive Vice President

DATE: February 4, 2015

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Slides to be distributed in investor meetings.



Helmerich & Payne, Inc.

Meetings with Investors

February 4-5, 2015

Forward-looking Statements

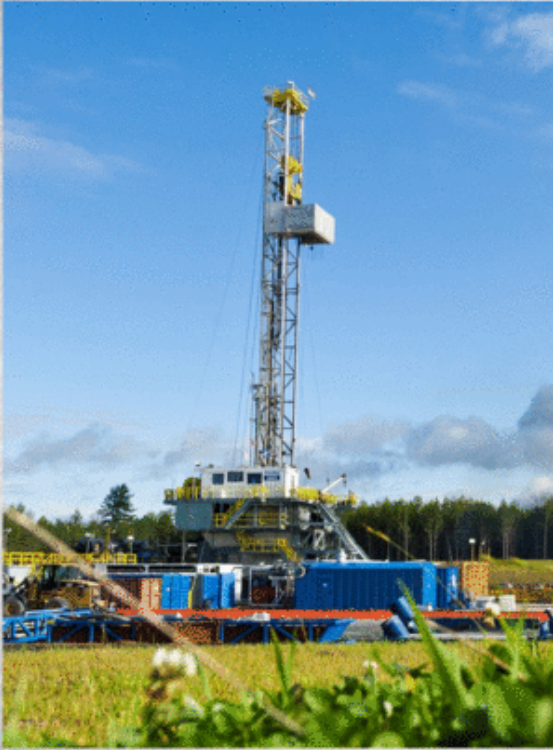
Statements within this presentation are “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical facts included in this presentation, including, without limitation, statements regarding the Company’s future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward looking statements. For information regarding risks and uncertainties associated with the Company’s business, please refer to the “Risk Factors” and “Management’s Discussion & Analysis of Financial Condition and Results of Operations” sections of the Company’s SEC filings, including but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q. As a result of these factors, Helmerich & Payne, Inc.’s actual results may differ materially from those indicated or implied by such forward-looking statements. We undertake no duty to update or revise our forward-looking statements based on changes in internal estimates, expectations or otherwise, except as required by law.



HELMERICH & PAYNE, INC.



U.S. Land Drilling Market Conditions



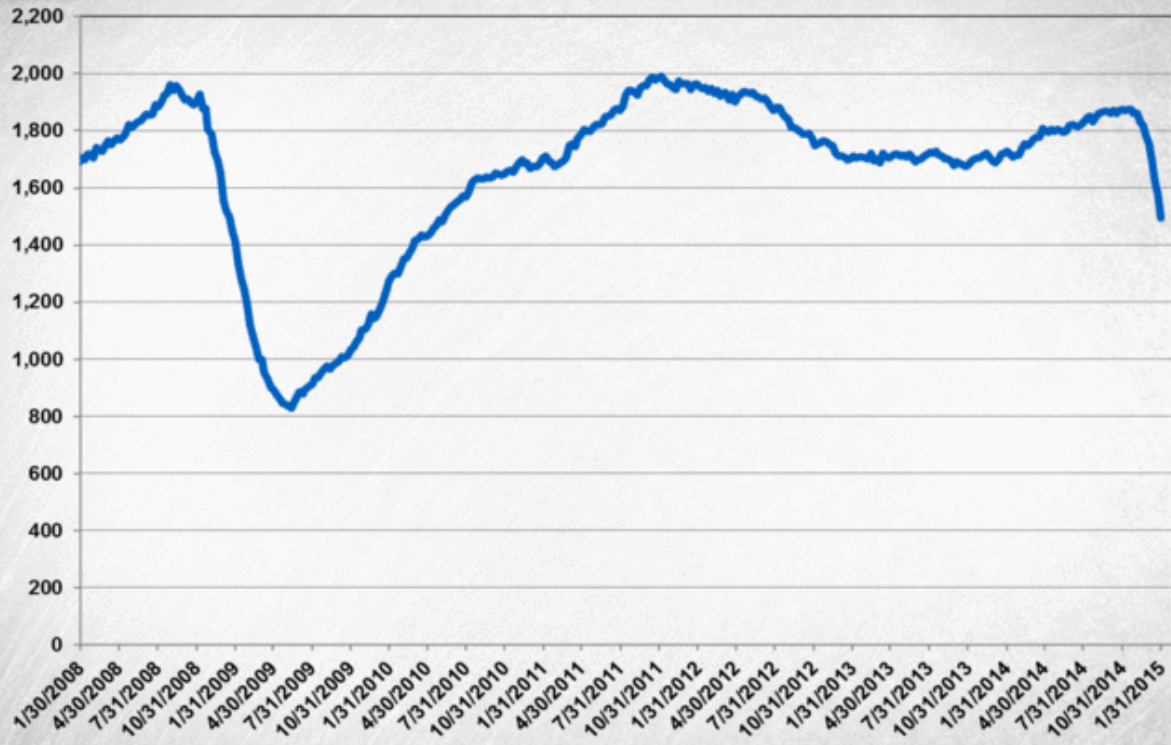
- Given low oil prices, drilling activity and spot pricing have significantly declined in the U.S.
- The total rig count reduction thus far has been more swift than many expected.
- Rig count reductions have been indiscriminate of rig performance and include rigs with early terminated long-term contracts.
- Spot pricing and activity are expected to continue to decline.
- Nevertheless, we still believe H&P is the best positioned drilling contractor.





Declining Drilling Activity in the U.S.

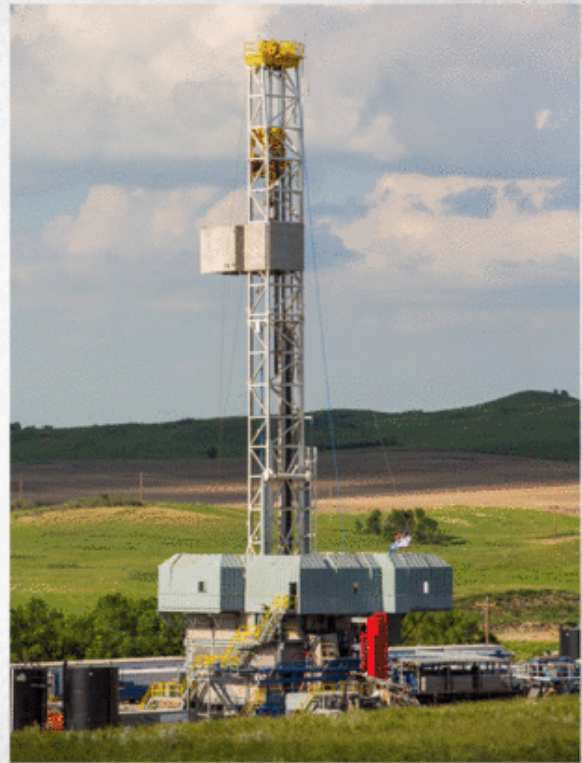
BHI U.S. Land Rig Count





Well Positioned for Opportunities Ahead

- Our experience indicates that in the face of a very negative market like we see today, and a growing perception and panic of weaker-forever-prices, the market does work and eventually oil fundamentals improve.
- H&P has an experienced management team and seasoned field operations personnel that know how to manage through a downturn.
- We believe that our strategy has helped the Company to be competitive through the cycles, and we are well positioned to take advantage of opportunities ahead.





About Helmerich & Payne (H&P)

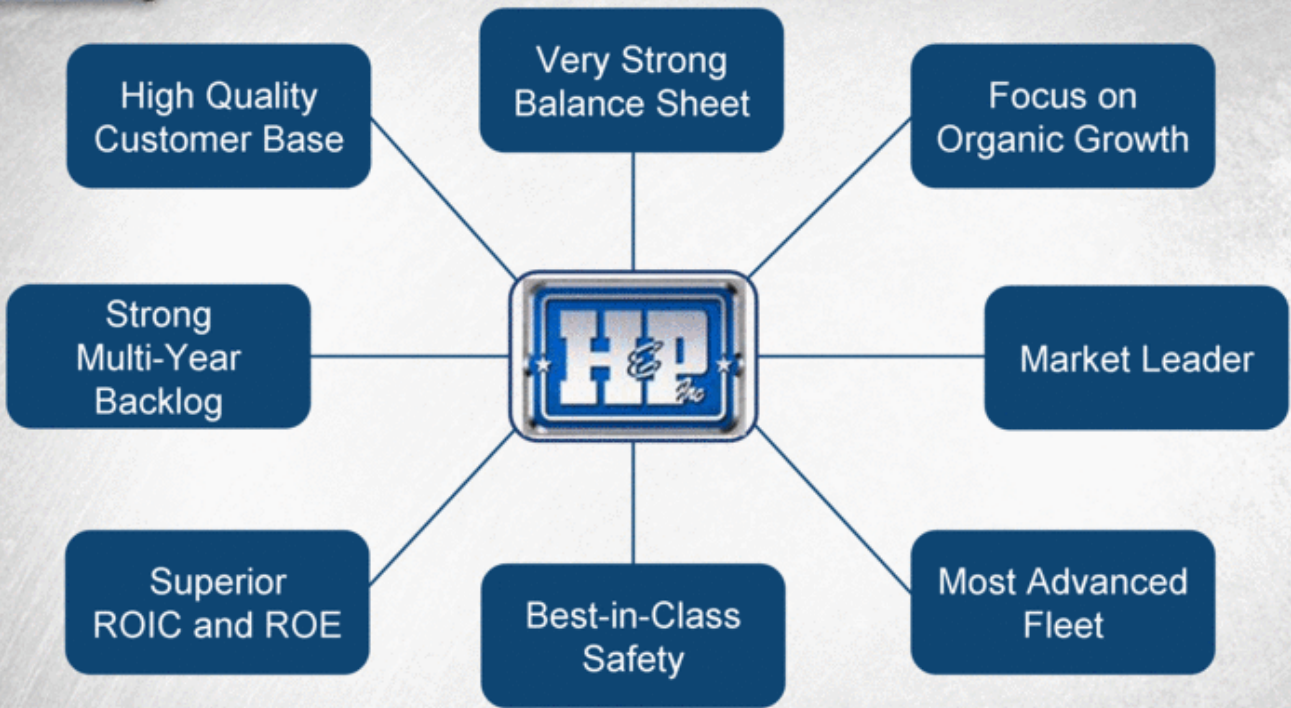


- A premier land drilling contractor founded in 1920
- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern and capable land drilling fleet
- Leader in ongoing industry land rig replacement cycle
- Focused on superior innovation, safety and returns on capital
- Strong term-contracted backlog with high quality customer base





H&P Highlights





Selected H&P Financial Metrics

Balance Sheet Highlights:

	As of December 31, 2014 (Dollars in millions)
Cash (including Cash Equivalents)	\$252
Total LT Debt	\$80
Shareholders' Equity	\$4,921
Total Assets	\$6,802

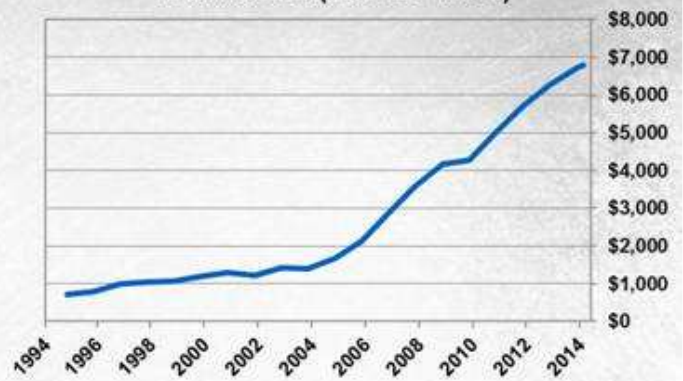
Other Financial Highlights:

LTM Operating EBITDA	\$1,664
Backlog	\$4,558
Credit Facility Availability	\$258
Cash + Credit Facility Availability	\$509

Credit Statistics:

Total Debt / LTM Operating EBITDA	0.05x
Total Debt / Total Capitalization*	1.6%

Total Assets (Last 20 Years)



Debt / Total Capitalization*



* Total Capitalization is defined as Total Debt plus Shareholders' Equity.

Very Strong Balance Sheet



H&P's Conservative Financial Practices

- **Conservatively managed balance sheet throughout its history**
 - Over the last 20 years, H&P's peak total-debt-to-total-capitalization ratio has been ~20%
 - This capitalization ratio has averaged 9% and is currently below 2%
- **Strong liquidity**
 - H&P has historically kept ample balances of cash and cash equivalents
 - H&P has maintained a \$300mm revolving credit facility since May 2012
 - Current usage under the revolver is letters of credit and current availability under the revolver is over \$250mm
- **No speculative new builds since 2004**
 - Beginning in 2005, all new builds have been deployed with a customer contract (average duration of ~3 years)

Very Strong Balance Sheet



H&P's Global Rig Fleet

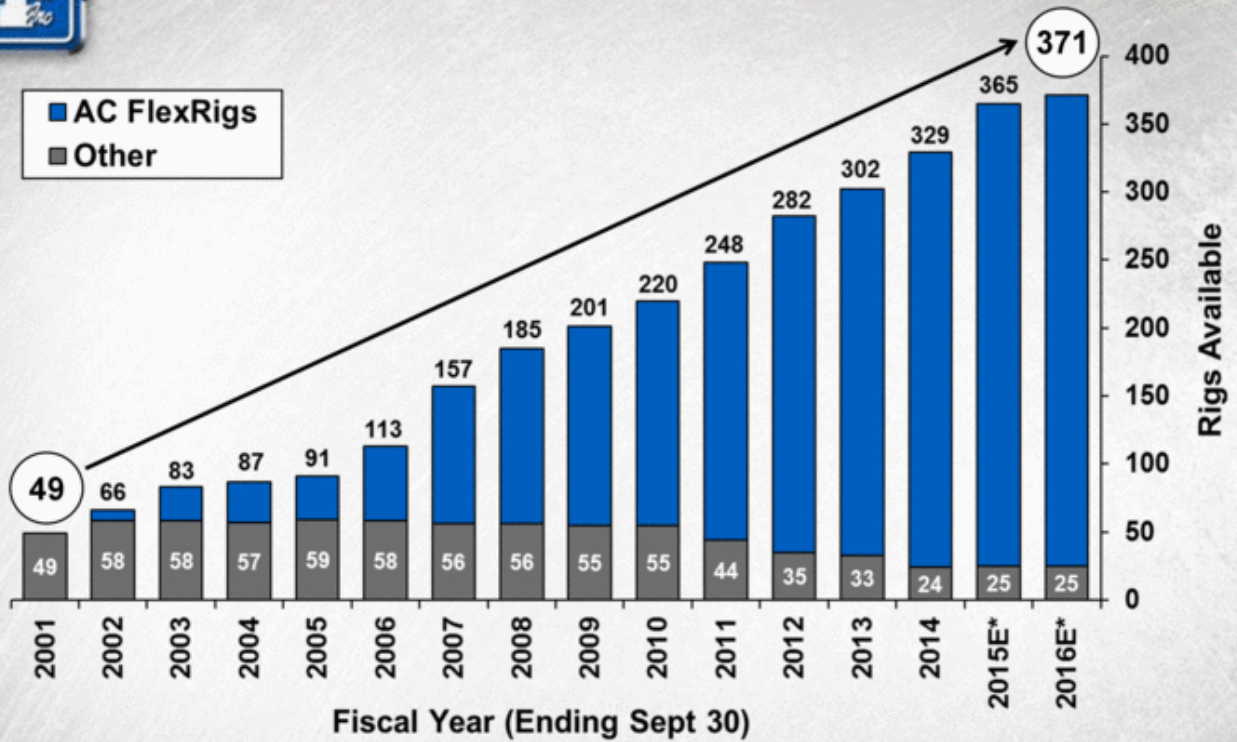


* Estimates include existing rigs and new build commitments as of January 29, 2015 and exclude nine conventional rigs decommissioned at the end of fiscal 2014.

Focus on Organic Growth



Organic U.S. Land Fleet Growth



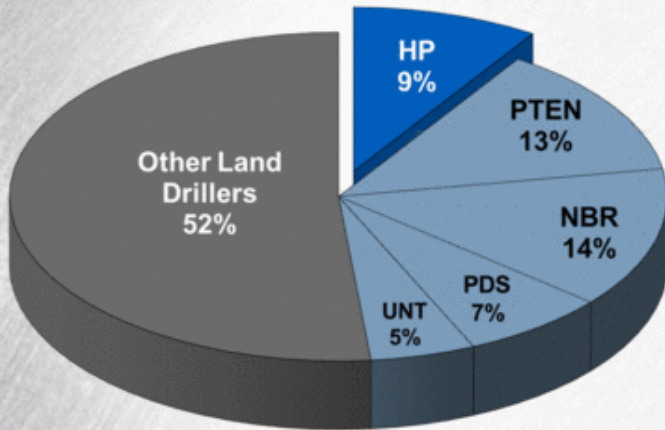
* Estimates include existing rigs and announced new build commitments.

Focus on Organic Growth

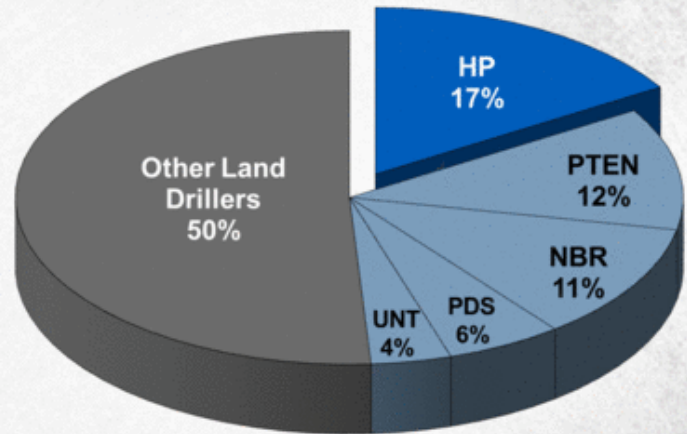


H&P Continues to Capture Market Share

As of October 2008 (Peak)
(~1,900 Active Rigs in U.S. Land)



As of January 2015
(~1,600 Active Rigs in U.S. Land)

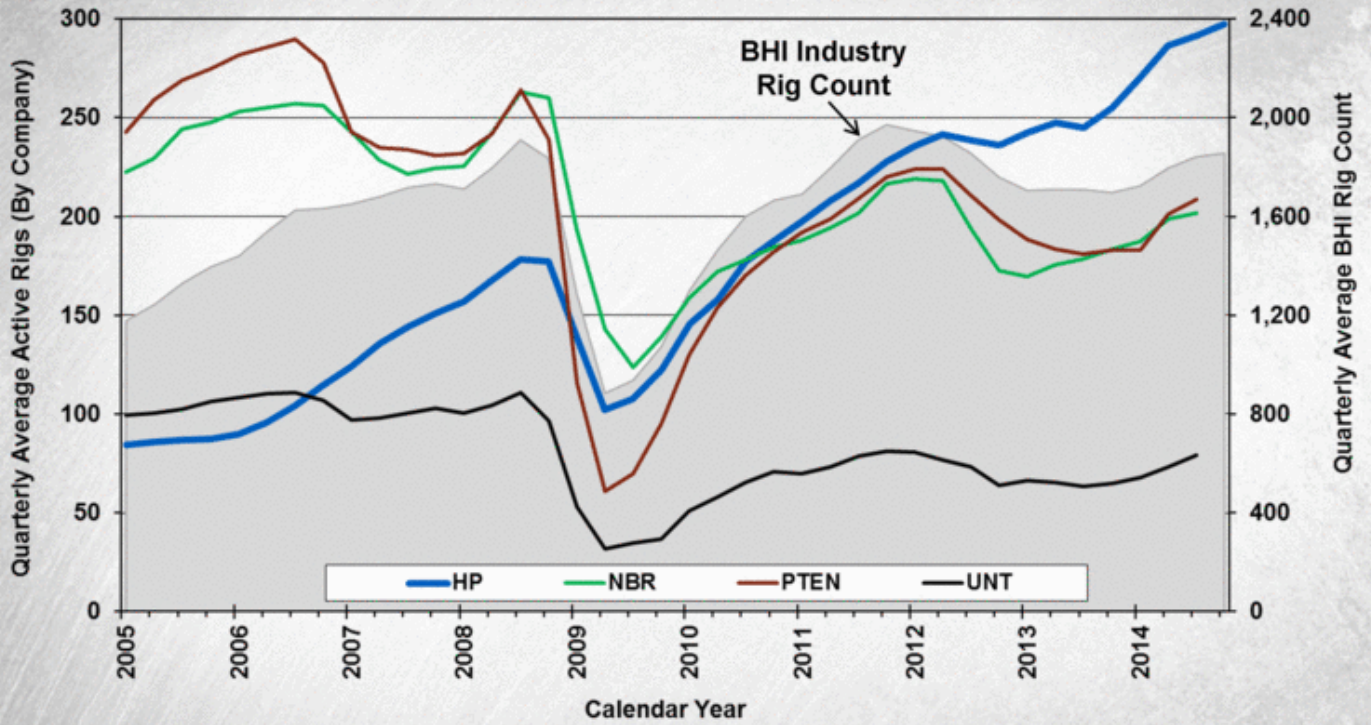


Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.

Market Leader



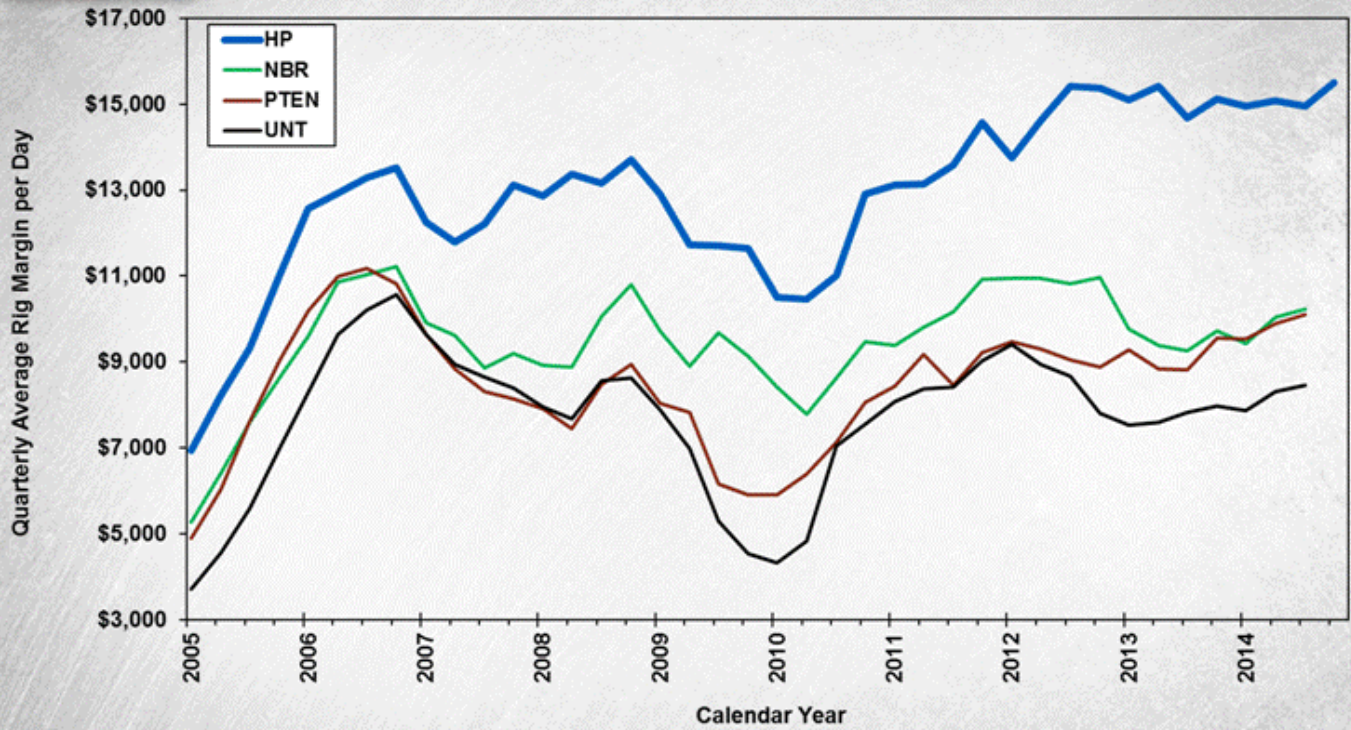
U.S. Land Active Rig Count Through Fourth Quarter of Calendar 2014



Market Leader



U.S. Land Average Daywork Margins⁽¹⁾ Through Fourth Quarter of Calendar 2014



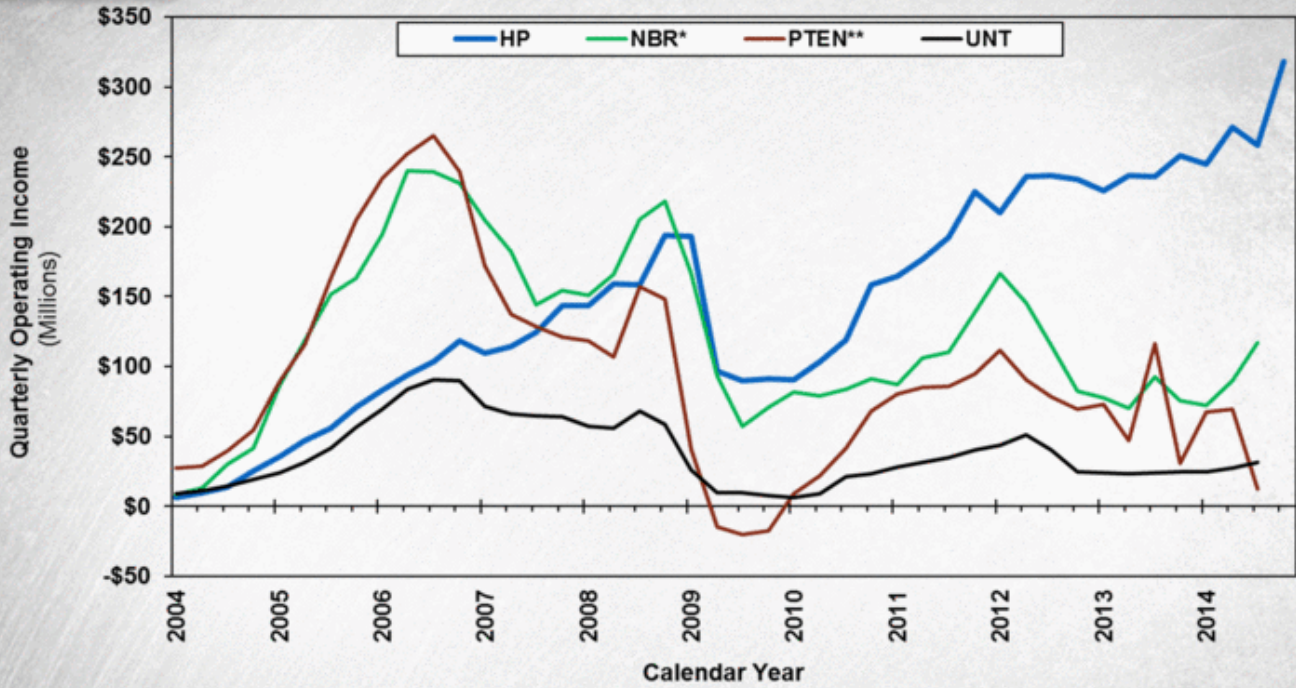
(1) Does not include the impact of early contract termination revenue.

Market Leader



Ten Year Profit Comparison

U.S. Land Drilling Operating Income



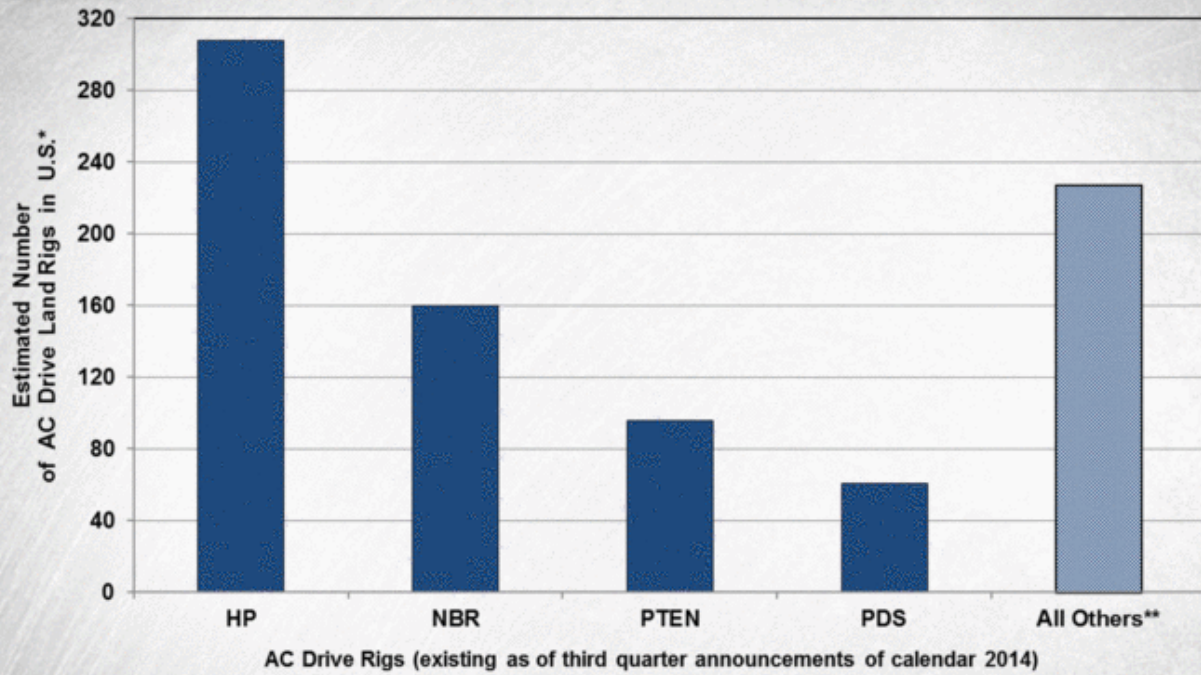
* NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore, and Alaska business units.

** PTEN's operating income includes drilling operations in Canada.

Market Leader



H&P's Lead in U.S. Land AC Drive Rigs



* The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.

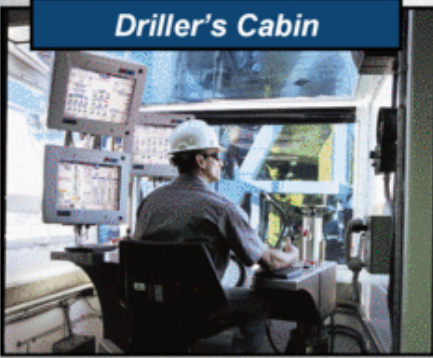
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

Most Advanced Fleet

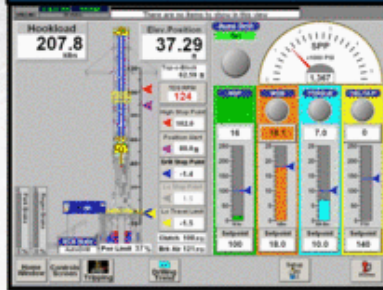


Innovation & Applied Technology – FlexRig®

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



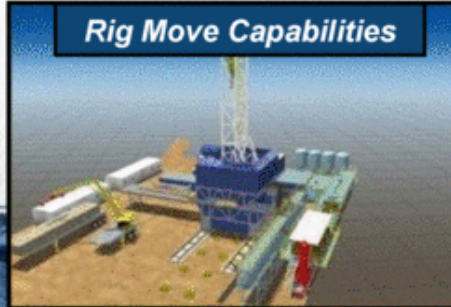
BOP Handling



Mechanized Tubular Handling



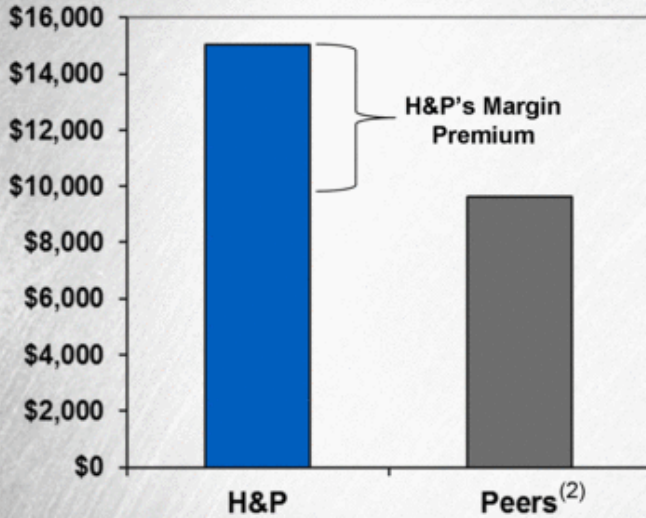
Rig Move Capabilities



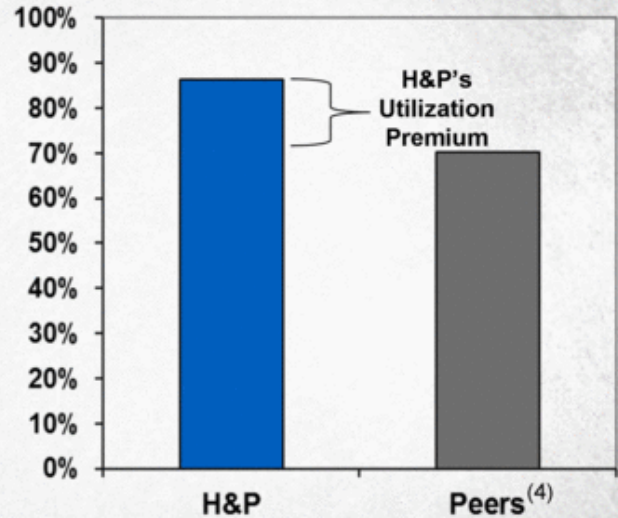


Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day⁽¹⁾
(12 Months Ended September 30, 2014)



Estimated U.S. Land Rig Utilization⁽³⁾
(12 Months Ended September 30, 2014)



(1) Does not include the impact of early contract termination revenue.

(2) Represents weighted-average rig margin per day for PTEN, NBR, PDS, and UNT.

(3) Utilization is herein calculated to be average active rigs divided by estimated available marketable rigs.

(4) Represents estimated average combined utilization for PTEN, NBR, PDS, and UNT in the Lower 48 land market.

Most Advanced Fleet



Performance is Not Only About Better Rigs

Our competitive advantage is also about:

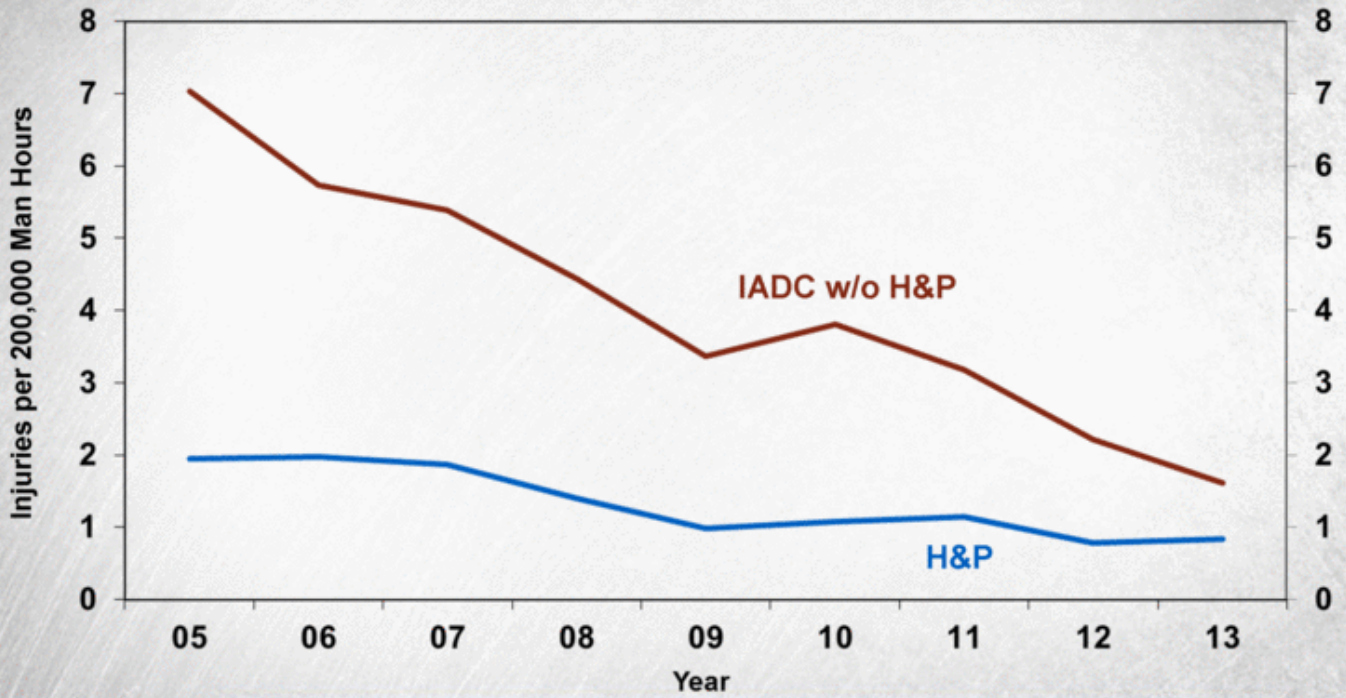
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





Delivering Safety – H&P vs. Industry (IADC)

U.S. Land Safety Performance (2005 – 2013)
OSHA Recordable Injury Incidence Rates



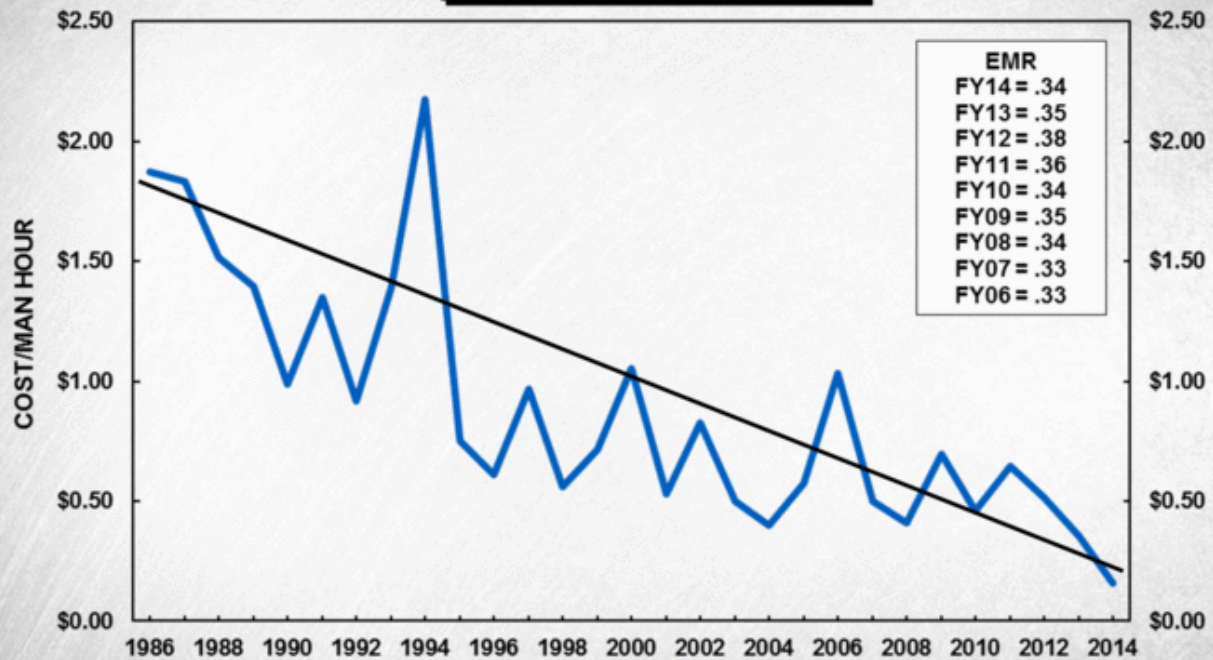
Best-in-Class Safety



Safety Excellence Also Generates Savings

Reduced Workers Comp and General Liability Losses per Man Hour

Actual Cost Per Man Hour Worked
U.S. Land & Offshore Operations

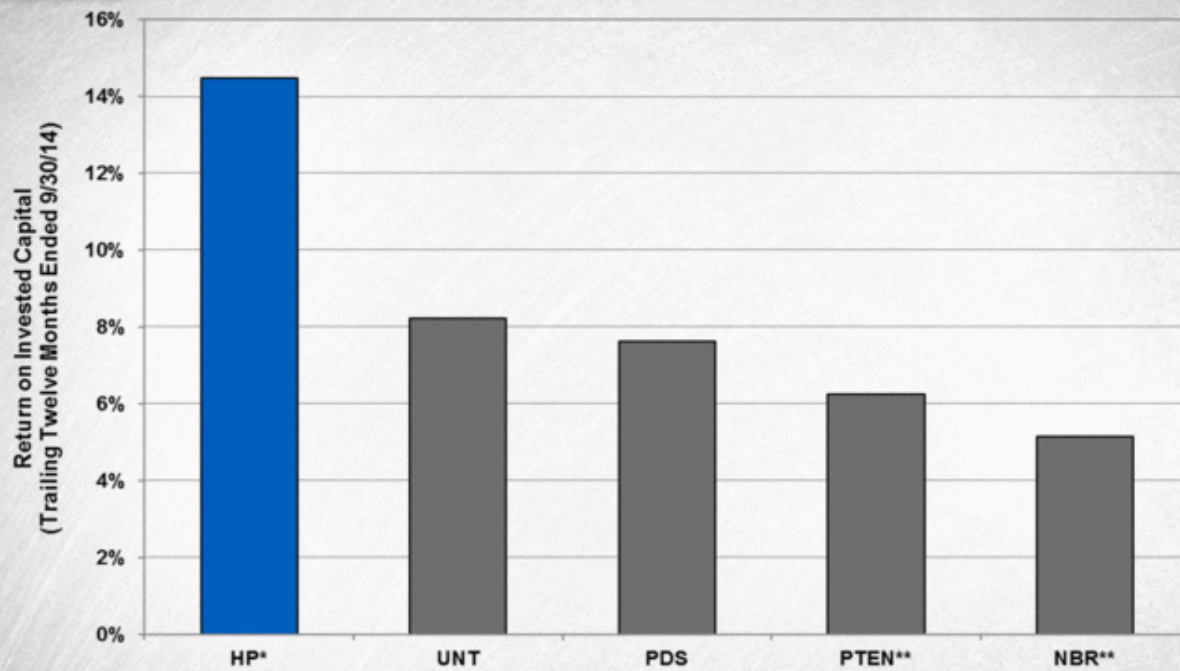


EMR = Experience Modifier Ratio (Industry Average = 1.00)

Best-in-Class Safety



Return on Invested Capital (ROIC)



* Excludes gains from the sale of investment securities and 4QFY14 abandonment (non-cash) charges. H&P's unadjusted ROIC resulted in 14.8%.

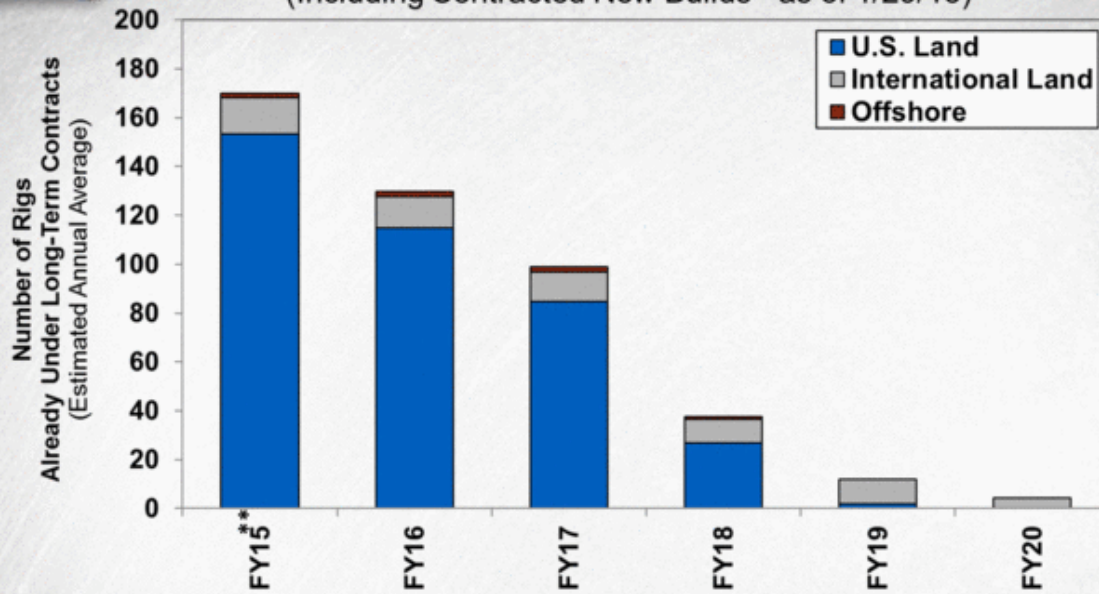
** The corresponding ROIC values for the selected companies exclude certain extraordinary, non-recurring charges.

Superior ROIC and ROE



H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet*
(Including Contracted New Builds - as of 1/29/15)



* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 1/29/15. During the first fiscal quarter the Company generated approximately \$23 million in revenues corresponding to long-term contract early terminations. Given notifications as of 1/29/15, the Company expects to generate over \$68 million dollars during the second fiscal quarter from additional early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees.

** Fiscal 2015 contract coverage includes a total of 194.3 rigs that operated under term contracts during the first fiscal quarter ended 12/31/14.

Strong Backlog



H&P Term Contract Overview

- **H&P new build contracts**
 - Average term contract duration of ~3 years
 - Firm “take-or-pay” early termination provisions* protect daily cash margin
 - Attractive economic returns during term (with annual ROIC averages in mid-to-high teens)
 - Close to 90% cash-on-cash payback after cash taxes during original 3 year term
- **2009 industry downturn stress-tested H&P term contracts**
 - During fiscal 2009 and 2010, H&P received over \$210 million of early termination and delivery delay payments from customers

* With the exception of certain limited circumstances, such as destruction of a drilling rig, bankruptcy, sustained unacceptable performance by H&P, or delivery of a rig beyond certain grace and/or liquidated damage periods, an early termination payment is paid to H&P if the contract is terminated prior to the expiration of the fixed term.

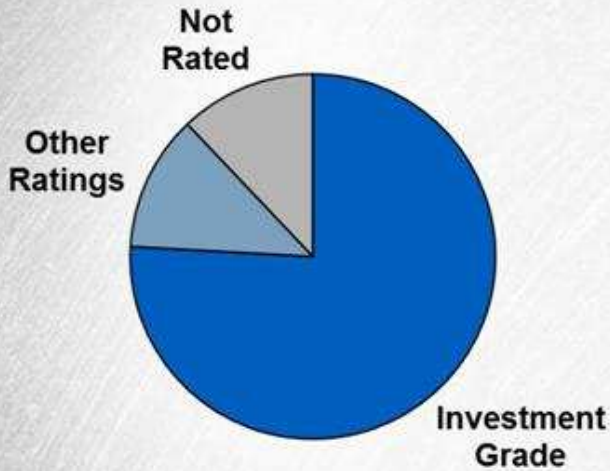
A horizontal collage of four blue-tinted images showing industrial scenes: a drilling rig, a worker, a long tunnel, and a structural framework.

Strong Backlog

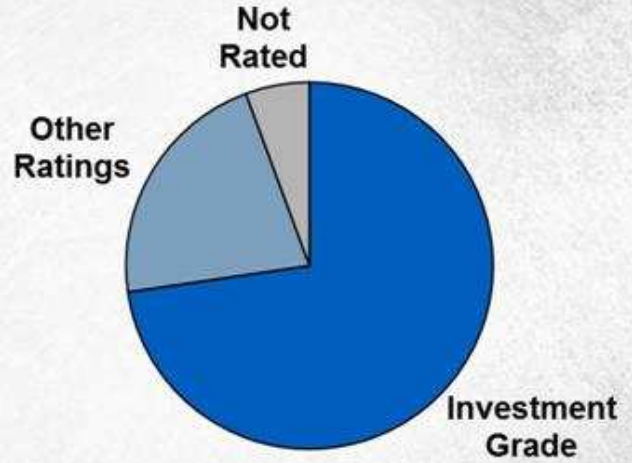


H&P Customer Credit Ratings

Number of Active H&P Rigs*
(Working for Corresponding Customers)



Number of Contracted Rig-Years**
(\$4.6 Billion H&P Backlog)



* As of December 31, 2014. Consists of 294 active U.S. Land rigs, 9 active and contracted Offshore rigs, and 22 active International Land rigs. Includes over 70 customers with active H&P rigs.

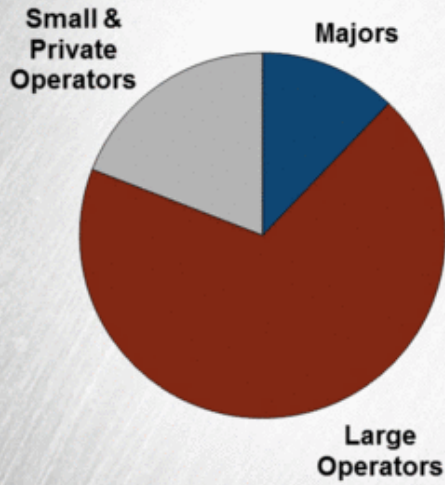
** The figures above represent H&P's customer commitments for term contract work beginning January 1, 2015.

High Quality Customer Base

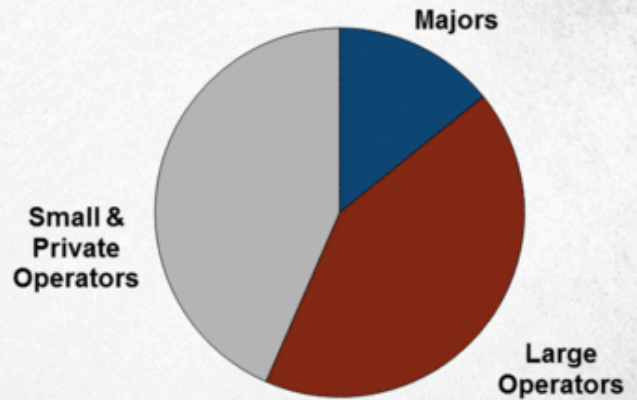


H&P vs. Industry U.S. Land Customer Base

H&P
U.S. Land Activity
Estimated Customer Distribution
(January 2015)



Industry
U.S. Land Activity
Estimated Customer Distribution
(January 2015)



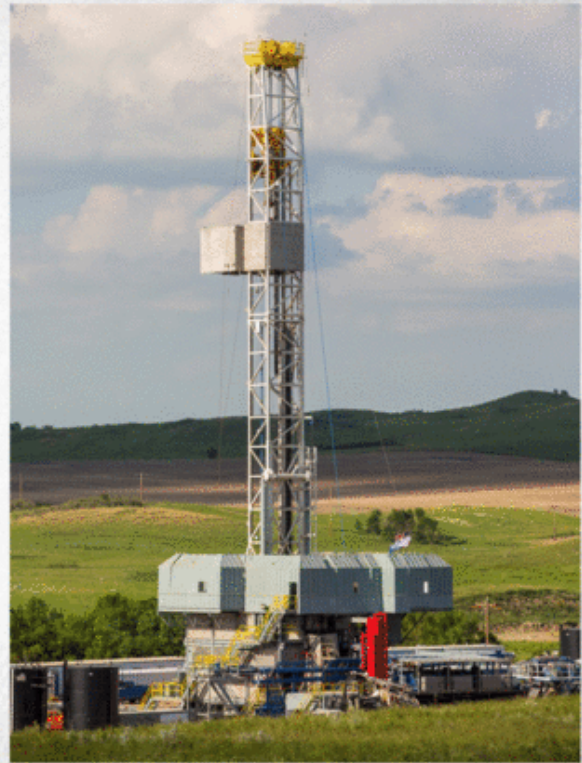
Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.

High Quality Customer Base



Underlying U.S. Land Market Trends

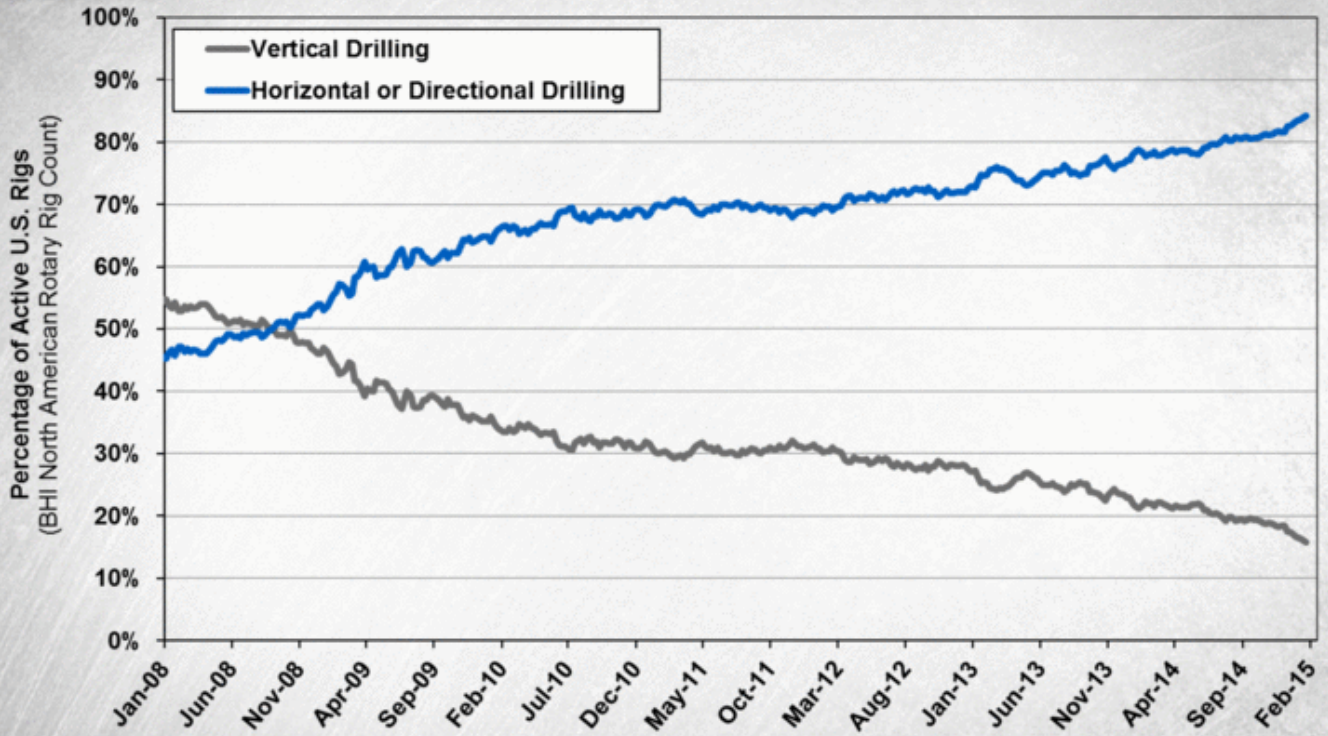
- Unconventional plays continue to shape the landscape.
- AC drive rigs are in highest demand.
- Customers continue to focus on drilling efficiency, technology and safety.
- The replacement cycle is expected to continue.





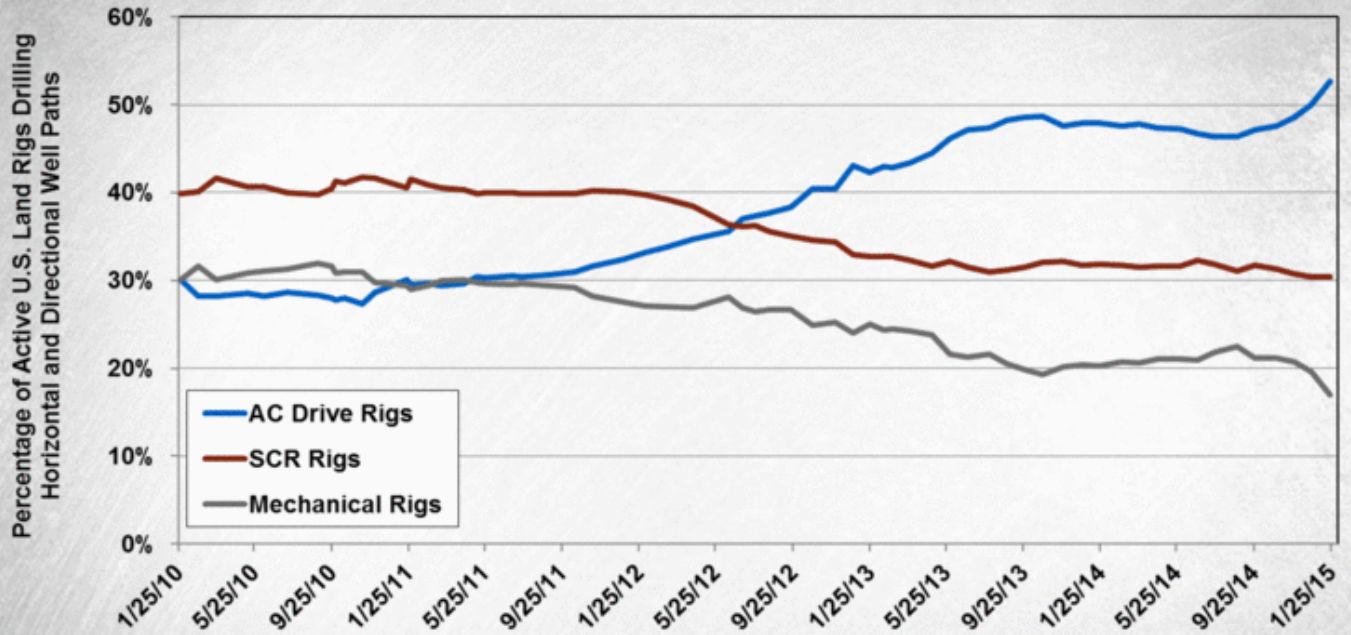
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





U.S. Land Horizontal and Directional Activity

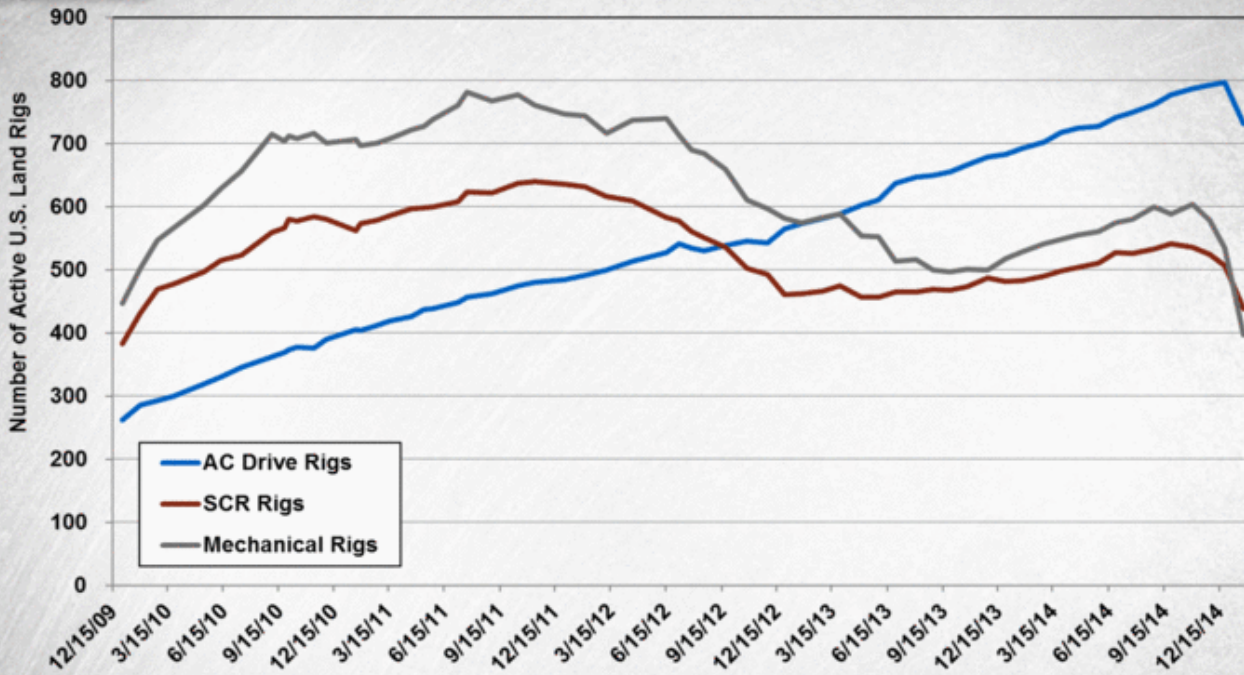


Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made as it relates to the power systems on certain unidentified rigs.





Legacy Fleet Most Impacted by Rig Count Reductions



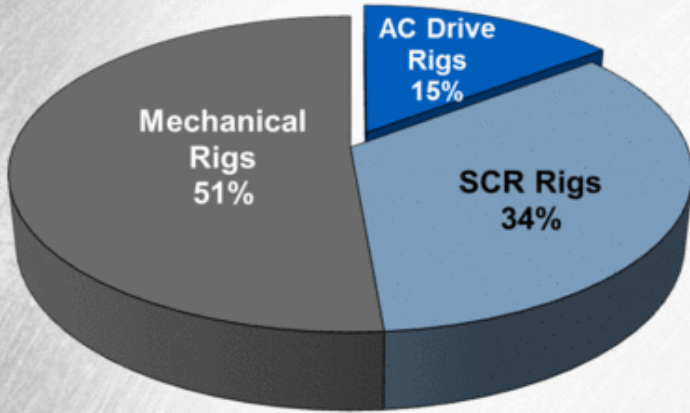
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made as it relates to the power systems on certain unidentified rigs.



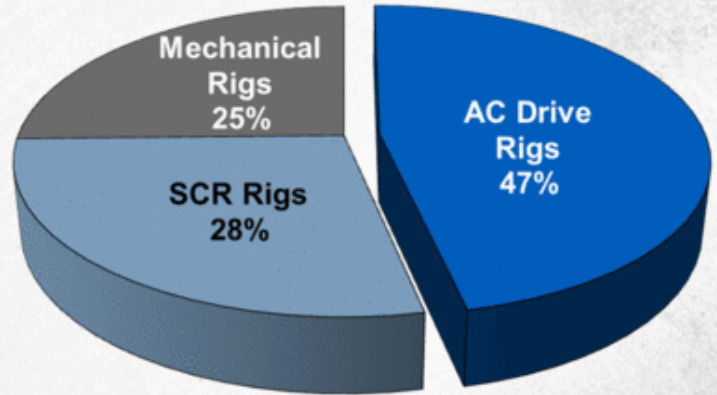


The Replacement Cycle Continues

As of October 2008 (Peak)
(~1,900 Active Rigs in U.S. Land
By Power Type)



As of January 2015
(~1,600 Active Rigs in U.S. Land
By Power Type)



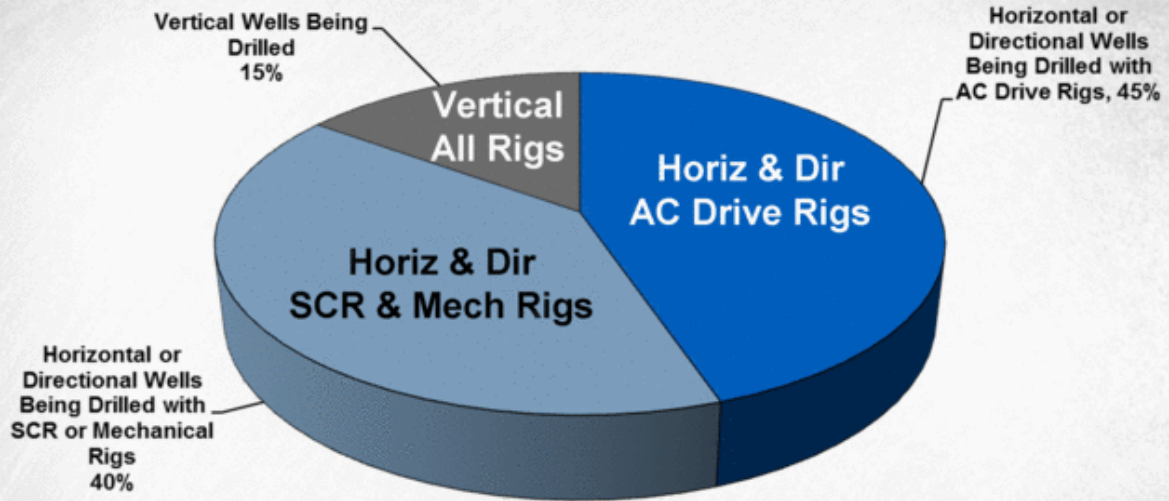
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made as it relates to the power systems on certain unidentified rigs.





U.S. Activity by Well and Rig Type

~1,600 Active U.S. Land Rigs (January 2015)



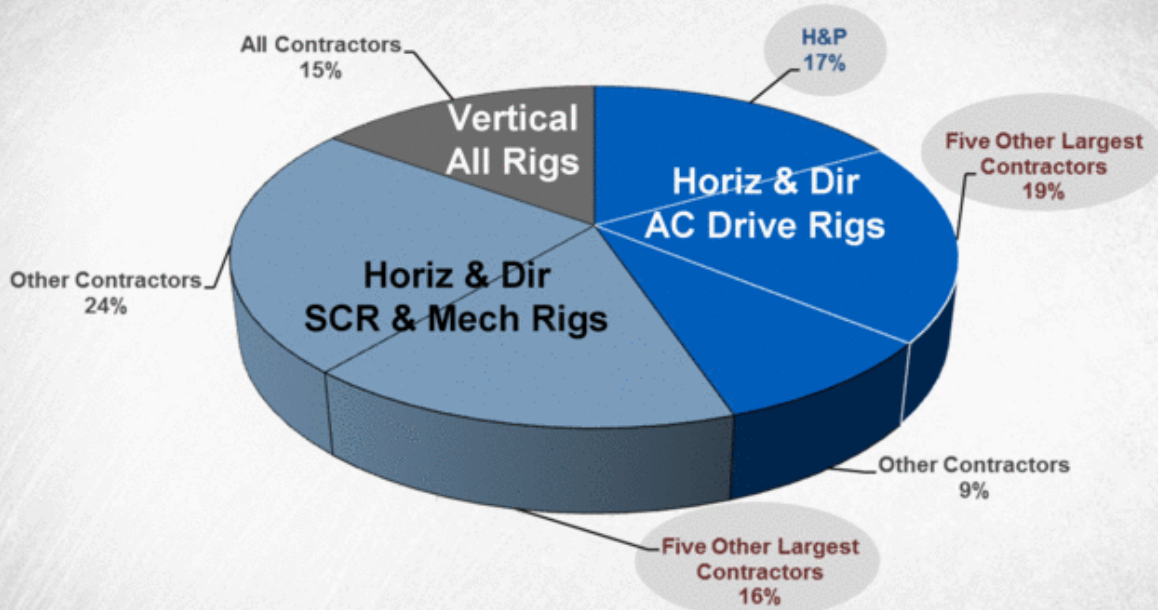
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made as it relates to the power systems on certain unidentified rigs.





U.S. Activity by Well and Rig Type

~1,600 Active U.S. Land Rigs (January 2015)



Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made as it relates to the power systems on certain unidentified rigs.

Leading Replacement Cycle



New Build FlexRigs (As of January 29, 2015)

- 40 new FlexRigs are scheduled to be delivered during fiscal 2015 and six during early fiscal 2016
- All 46 of the above new FlexRigs are supported with multi-year term contracts that are expected to generate attractive economic returns for the Company
- Currently building at a cadence of four FlexRigs per month through May 2015 and reducing the cadence to two FlexRigs per month in June 2015 through the remainder of the calendar year
- Flexibility in managing our own production cadence allows us to swiftly respond to changing levels of FlexRig demand





H&P's Long Term Strategy

- Innovation
- Technology
- Safety and operational excellence
- Customer satisfaction
- Financial strength





Additional References





H&P's Second Quarter Outlook and Other Estimates

(As described in 1/29/15 Earnings Press Release and Conference Call)

- Drilling Operations Outlook for 2Q of Fiscal 2015 compared to 1Q of Fiscal 2015
 - U.S. Land Segment
 - Revenue days expected to decrease by roughly 25%
 - Average rig revenue per day expected to decrease to between \$27,000 and \$27,500 (excluding the impact from early termination revenues)
 - Average rig expense per day expected to increase to roughly \$13,350
 - Offshore Segment
 - Revenue days expected to remain flat
 - Average rig margin per day expected at ~\$19,500
 - International Land Segment
 - Revenue days expected to decrease by ~10-15%
 - Average rig margin per day expected to decrease by ~25-30%

- Capital Expenditures and Other Estimates for Fiscal 2015
 - Capital expenditures for fiscal 2015 expected at ~\$1.3 billion
 - Maintenance capital expenditures expected to be less than 20% of total capital expenditures
 - Effective income tax rate of ~35-36% expected for each of the remaining three quarters
 - Depreciation expense expected to increase to slightly over \$600 million
 - General and Administrative expenses estimated at slightly over \$140 million





H&P Activity as of January 29, 2015

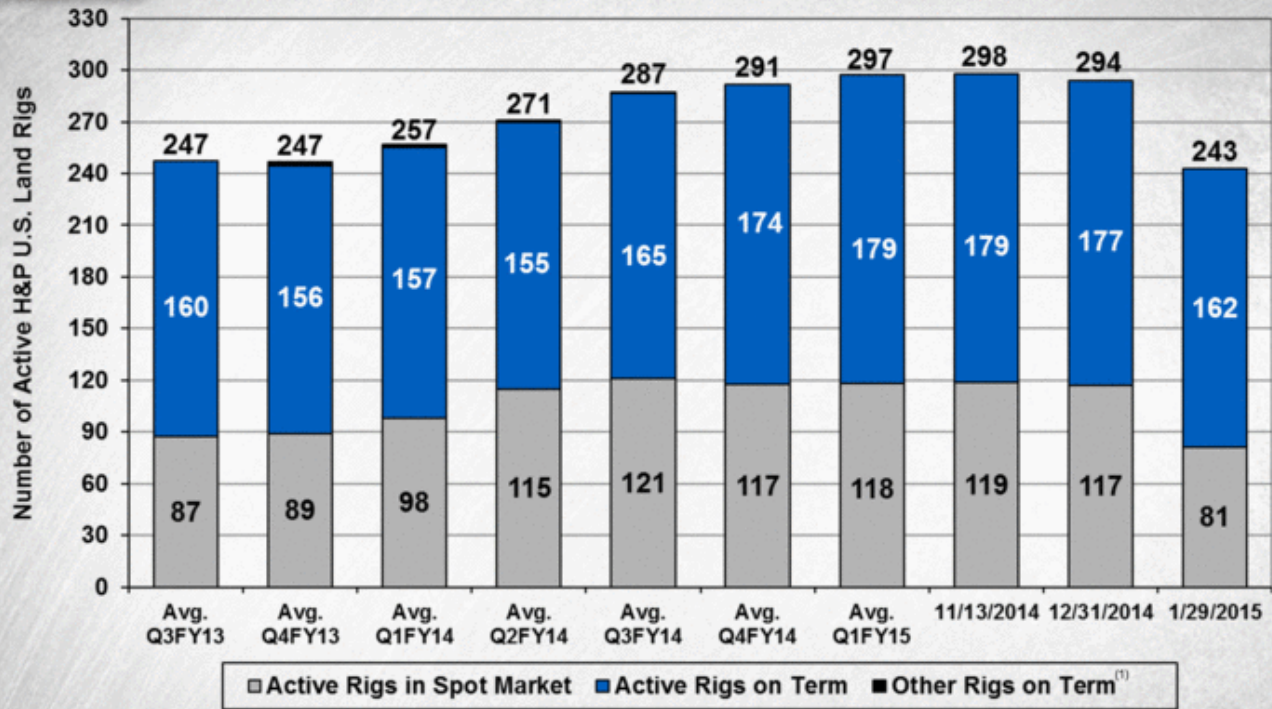
	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	340	243	71%
AC Drive FlexRigs	315	242	77%
SCR Fleet	25	1	4%
Offshore	9	9	100%
International Land	<u>40</u>	<u>26</u>	<u>65%</u>
Total	389	278	71%
FlexRig Construction⁽¹⁾	31		
Total Fleet	420		

(1) Reflects announced new build commitments under term contracts.





H&P's U.S. Land Fleet Activity



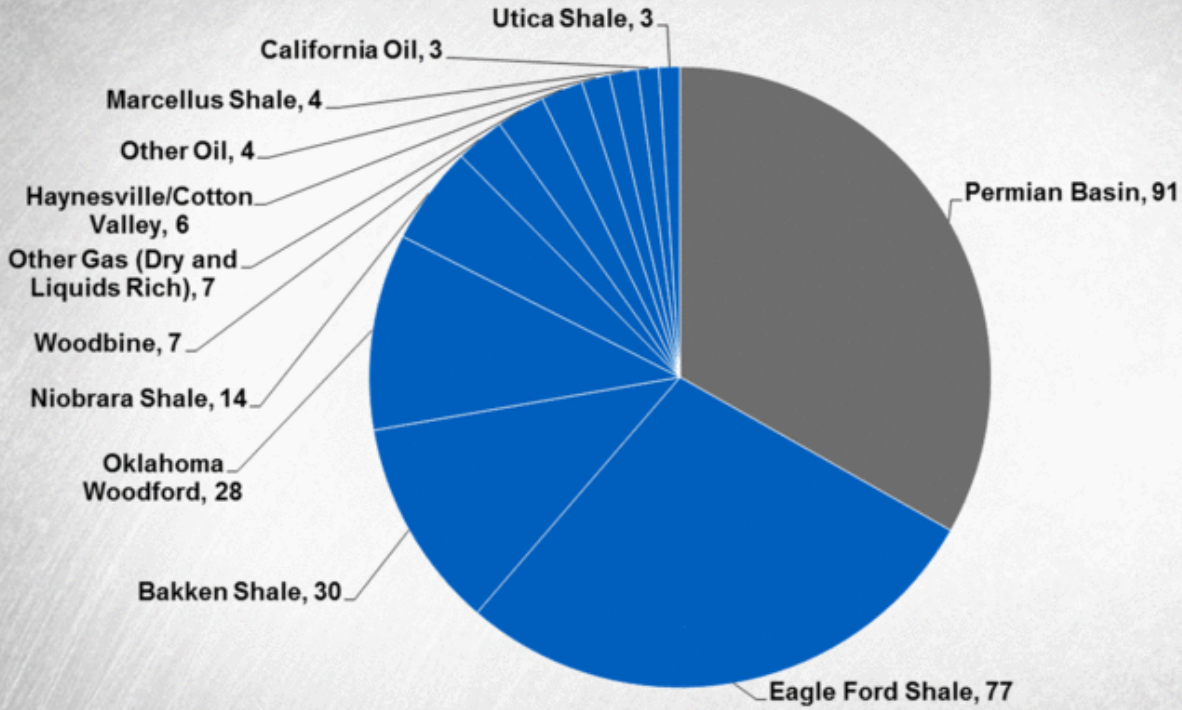
(1) Includes completed new builds pending delivery and not generating revenue days.





Leading U.S. Unconventional Driller

(274 H&P Contracted Land Rigs as of 1/29/15*)

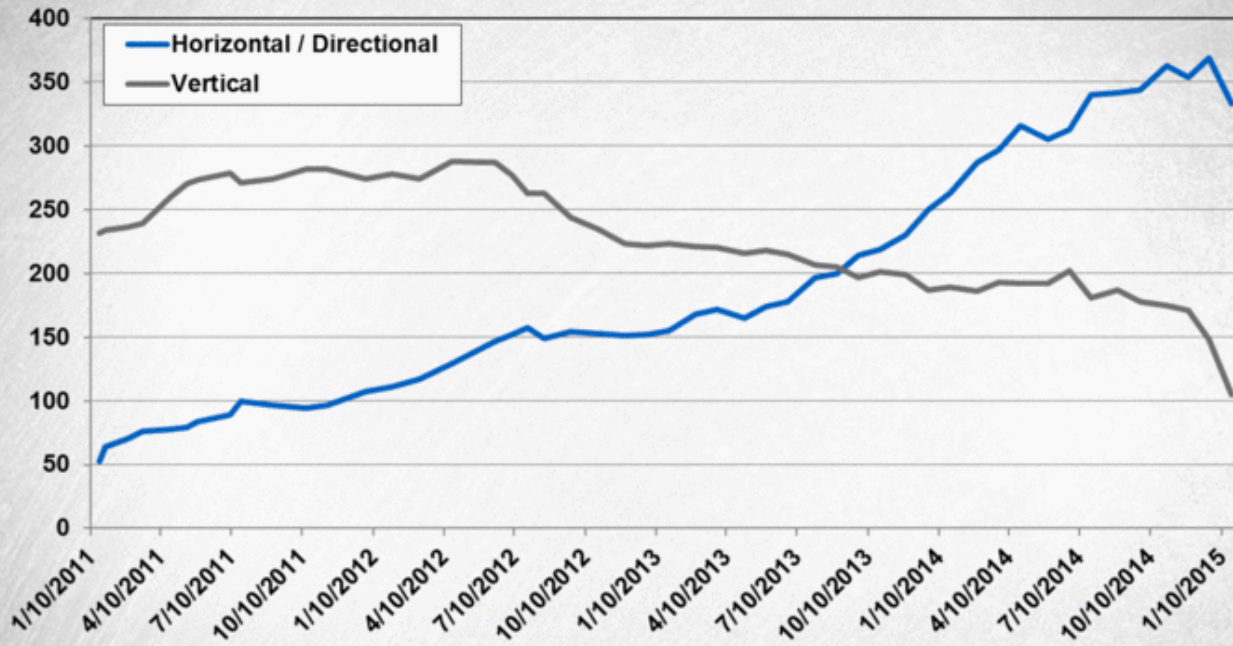


* Includes 31 announced new FlexRigs with customer commitments scheduled for delivery in calendar 2015.





Unconventional Drilling Growth in Permian



Note: The above estimates are derived from Rig Data. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower.





H&P's International Land Operations

Rig Fleet Status (as of January 29, 2015)

	Active	In-Transit	Idle	Total	Long-term Contracts ⁽¹⁾
Argentina	9	6	4	19	10
Bahrain	2		1	3	2
Colombia	5		2	7	1
Ecuador	1		5	6	1
Mozambique	1			1	
Tunisia			2	2	
U.A.E.	2			2	2
Total	20	6	14	40	16⁽²⁾

(1) Rigs on term contract that have greater than or equal to 180 days remaining. This also includes rigs that are in-transit which have not yet commenced operations under the fixed term contract.

(2) 14 of 27 FlexRigs, included in the international fleet of 40 rigs, are under long-term contracts.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts*

(Estimated Quarterly Average, Including Announced New Builds - as of 1/29/15)

Segment	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
U.S. Land	160.8	145.1	129.7	121.6	117.0	111.0	109.1
International Land	13.1	16.1	15.3	13.2	13.0	13.0	13.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	175.9	163.2	147.0	136.8	132.0	126.0	124.1

* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 1/29/15. During the first fiscal quarter the Company generated approximately \$23 million in revenues corresponding to long-term contract early terminations. Given notifications as of 1/29/15, the Company expects to generate over \$68 million dollars during the second fiscal quarter from additional early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees.



Strong Backlog



H&P's FlexRig Advantage

The FlexRig Difference: Key Advantages

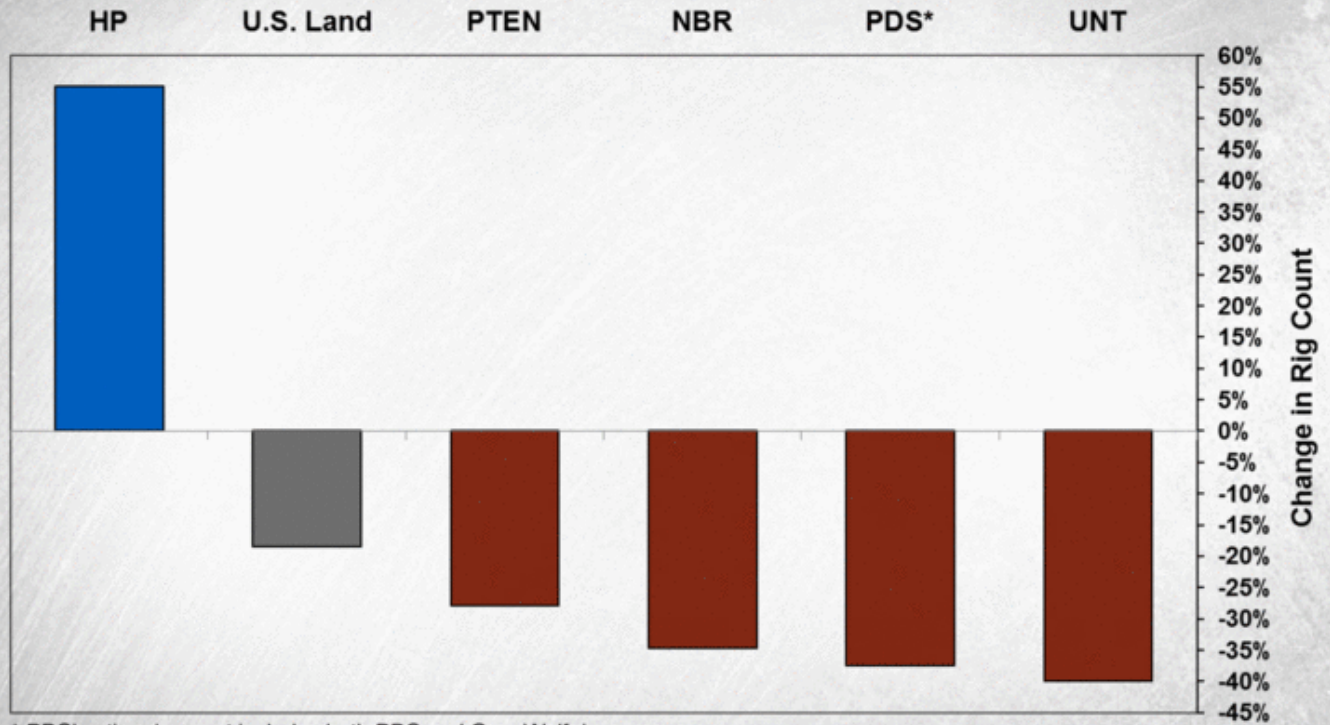
- **Increased drilling productivity and reliability**
 - Variable frequency AC technology providing precise control and increased capability
 - Computerized electronic driller more precisely controls down-hole parameters
 - FlexRig designs are suited for both efficient well to well moves and multi-well pad applications
- **Accelerated well programs and NPV gains**
- **A safer and more environmentally friendly workplace**
- **Fleet size and uniformity**
- **Total well cost savings even at premium dayrates**

Most Advanced Fleet



Changes in Lower 48 U.S. Land Rig Count

Estimated Change Since 2008 Peak in Active U.S. Land Rigs
(Rig Data Weekly Rig Count - October 2008 to January 2015)

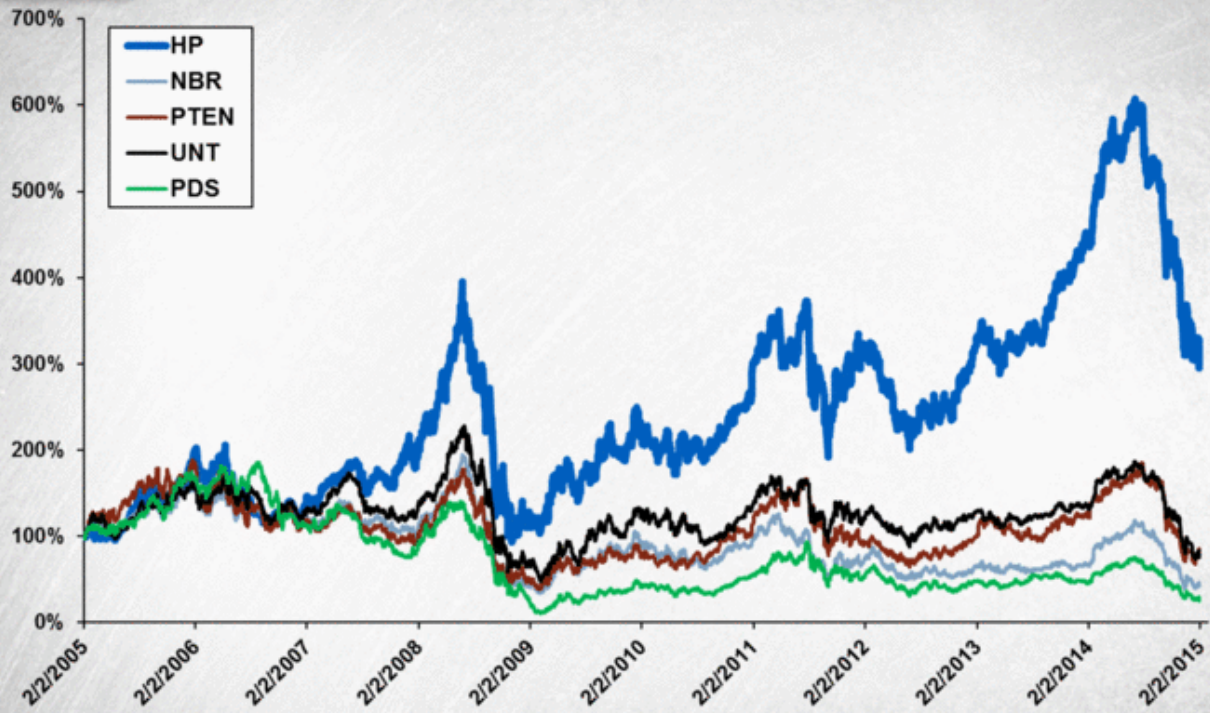


* PDS' active rig count includes both PDS and Grey Wolf rigs.





Ten-Year Relative Shareholder Return

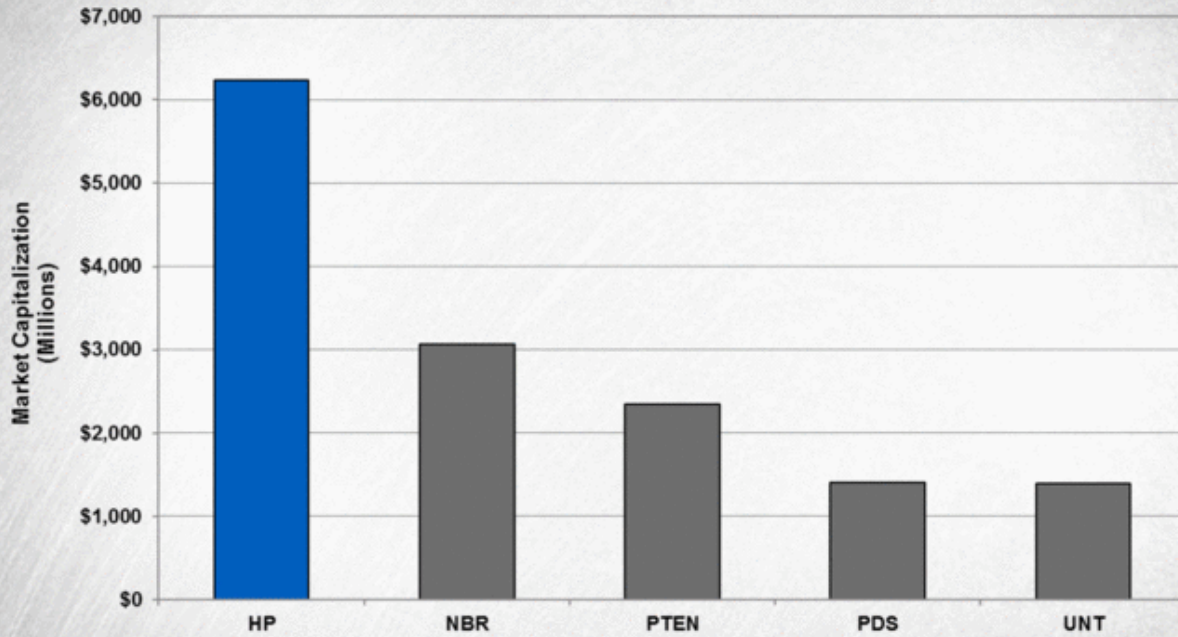


Source: Thomson Reuters as of January 29, 2015.





Land Drilling Market Valuations

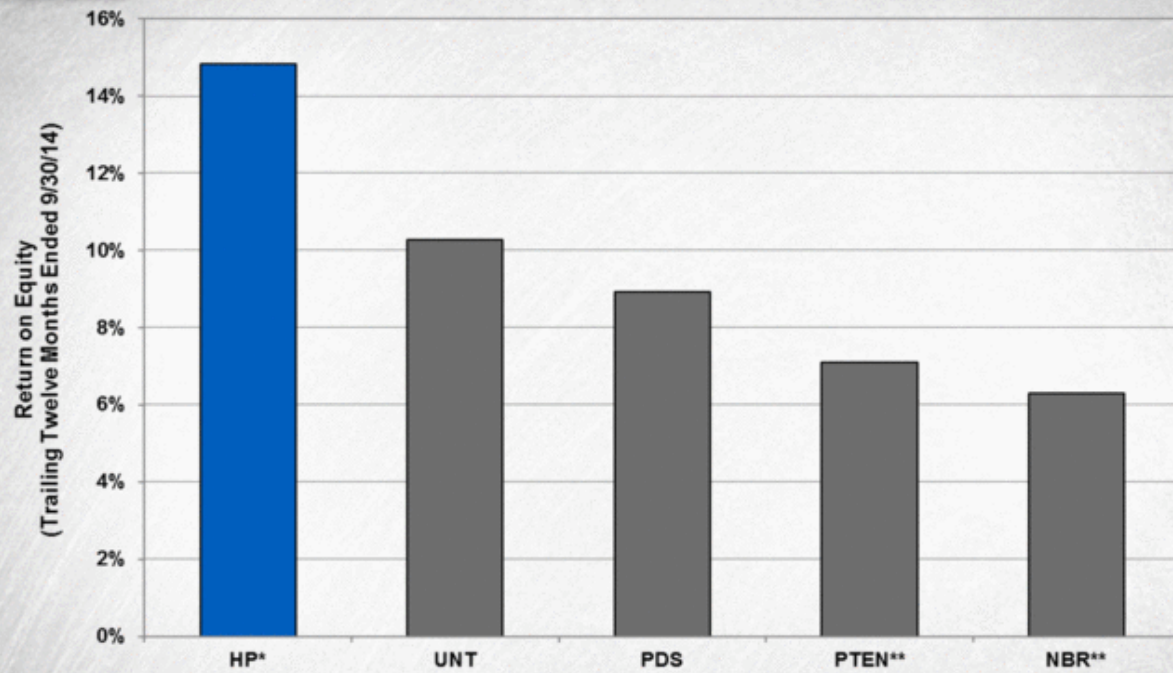


Source: Thomson Reuters as of January 29, 2015.





Return on Equity



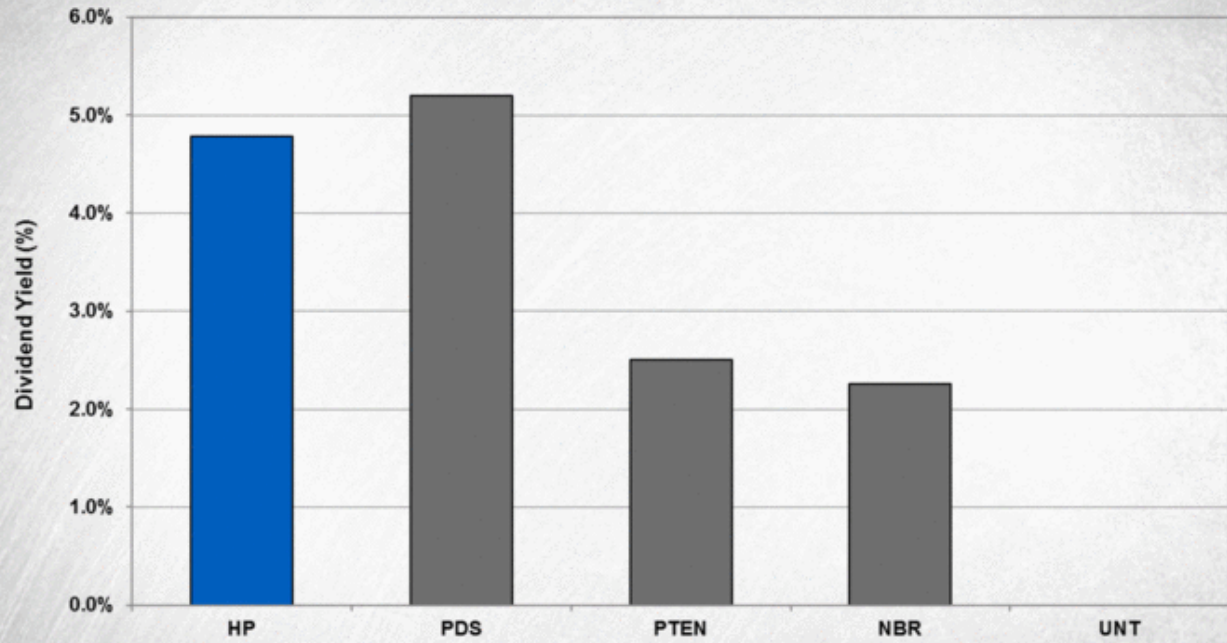
* Excludes gains from the sale of investment securities and 4QFY14 abandonment (non-cash) charges. H&P's unadjusted ROE resulted in 15.2%.

** The corresponding ROIC values for the selected companies exclude certain extraordinary, non-recurring charges.

Superior ROIC and ROE



Current Dividend Yields

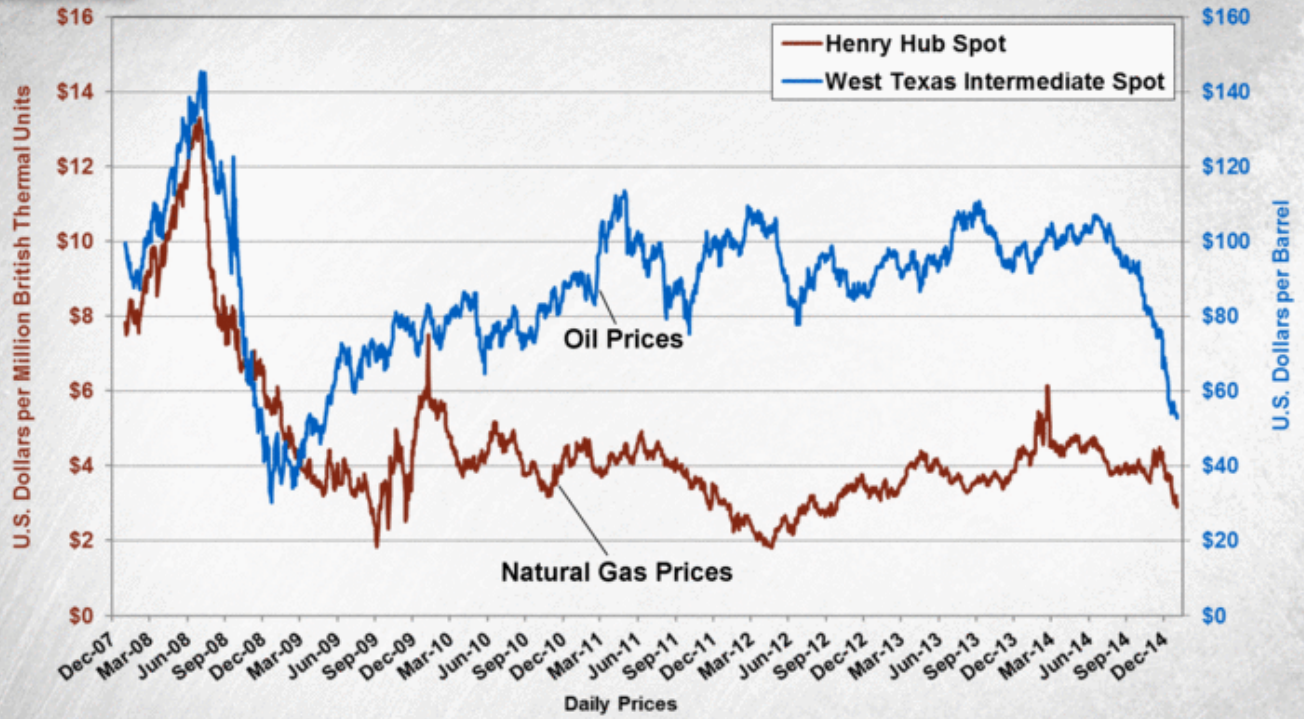


Source: Thomson Reuters. Yields calculated as of market close on January 29, 2015.





Oil and Natural Gas Prices

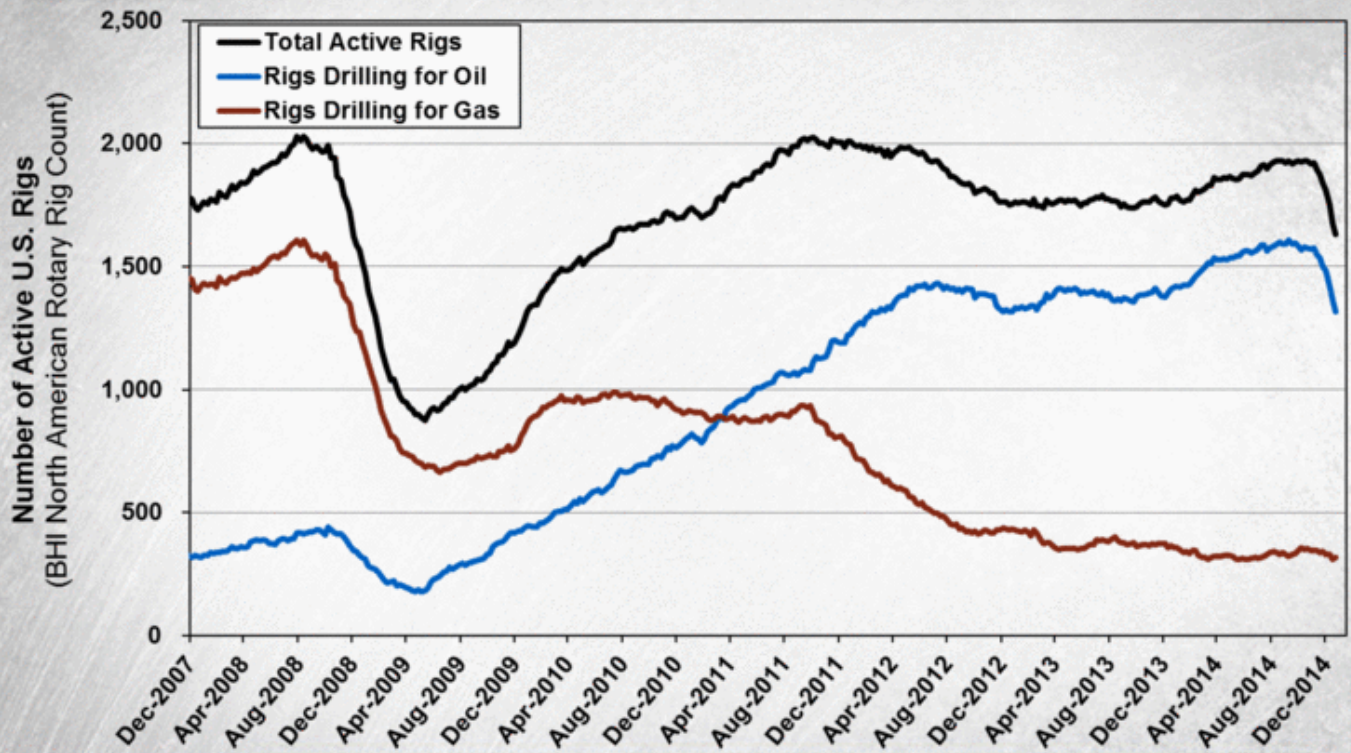


Source: Energy Information Administration and Thomson Reuters





Oil vs. Natural Gas Directed Rig Count





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