

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 01/07/15 for the Period Ending 01/07/15

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
CIK	0000046765
Symbol	HP
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: **January 7, 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))
-
-

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: January 7, 2015

EXHIBIT INDEX

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



Helmerich & Payne, Inc.
Goldman Sachs Global Energy Conference
January 7-8, 2015

Forward-looking Statements

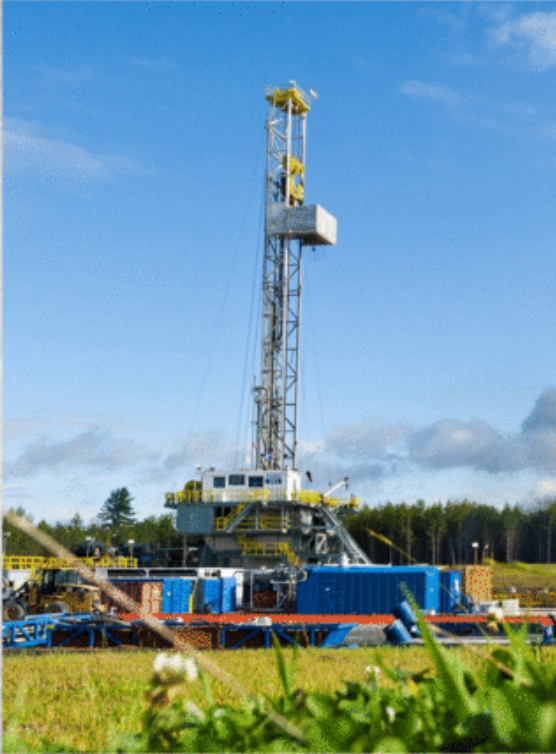
Statements within this presentation are “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical facts included in this release, including, without limitation, statements regarding the registrant’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.



General Market and Outlook Comments



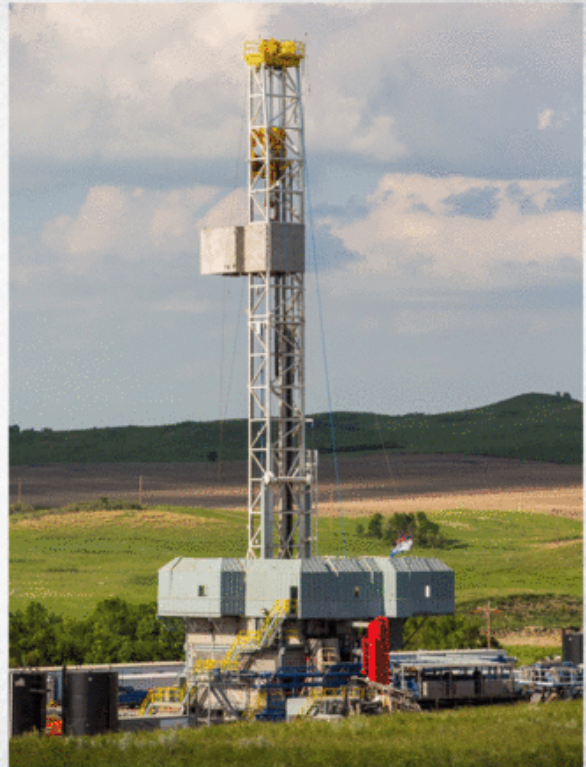
- Low oil prices are increasingly impacting the U.S. land drilling market.
- Drilling activity and spot dayrate pricing are now expected to significantly decline in the U.S.
- Nevertheless, as was the case during the last couple cyclical down-turns, H&P is well positioned for the challenges ahead.
- The Company noted last month that its operational outlook for the first fiscal quarter remained unchanged; no additional clarifications are noteworthy given information available at this point.





H&P's U.S. Land Activity and Pricing Comments

- 286 FlexRigs remain active in the U.S. Land segment.
- Since 12/11/14, the idle and available AC drive FlexRig count in the U.S. has increased from 15 to 26.
- The average FlexRig spot pricing is down by approximately 10% to begin the second fiscal quarter as compared to the average spot pricing corresponding to the first fiscal quarter.
- We have also received early termination notices related to four long-term contracts.
- Given the current trend, we expect to see another 40 to 50 FlexRigs become idle and spot pricing continue to soften during the next 30 days.
- We do expect additional rigs to become idle and spot pricing softness to continue beyond the next 30 days.





About Helmerich & Payne (H&P)

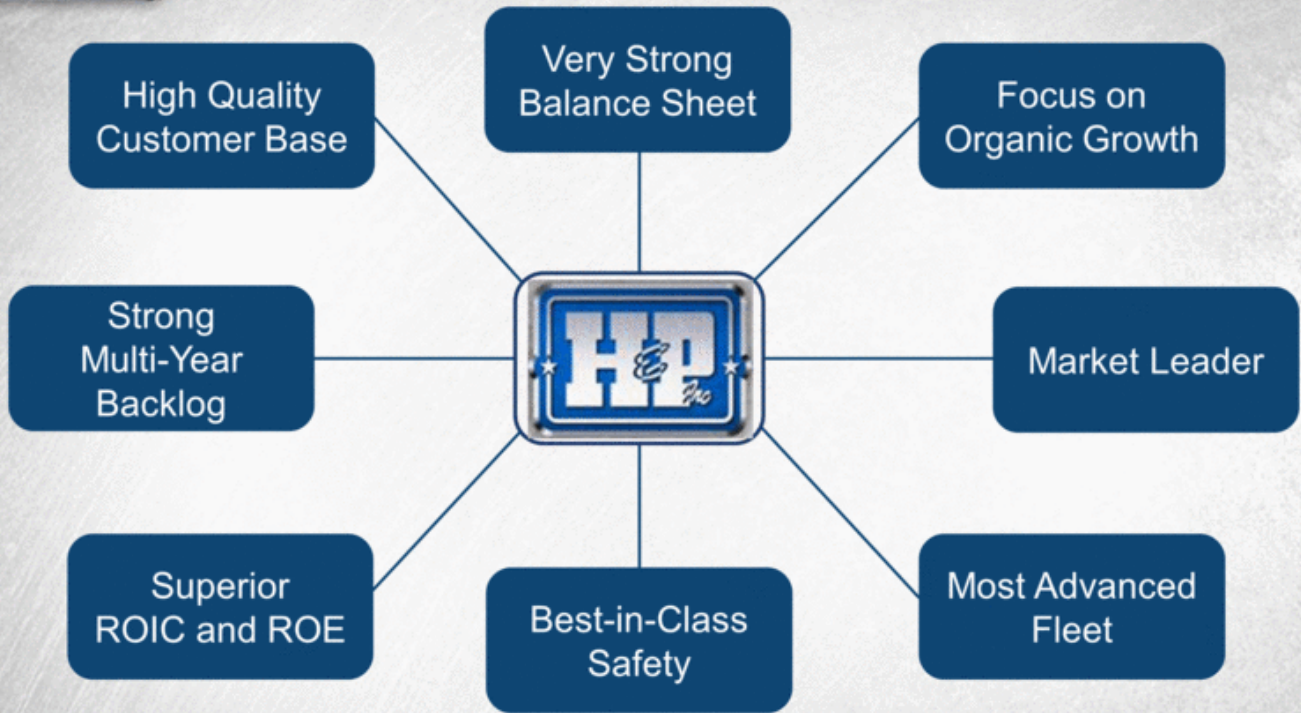


- A premier land drilling contractor founded in 1920
- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern and capable land drilling fleet
- Leader in ongoing industry land rig replacement cycle
- Focused on superior innovation, safety and returns on capital
- Strong term-contracted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





H&P Highlights





Selected H&P Financial Metrics

Balance Sheet Highlights:

	As of September 30, 2014 (Dollars in millions)
Cash (including Cash Equivalents)	\$361
Total Debt	\$80
Shareholders' Equity	\$4,891
Total Assets	\$6,722

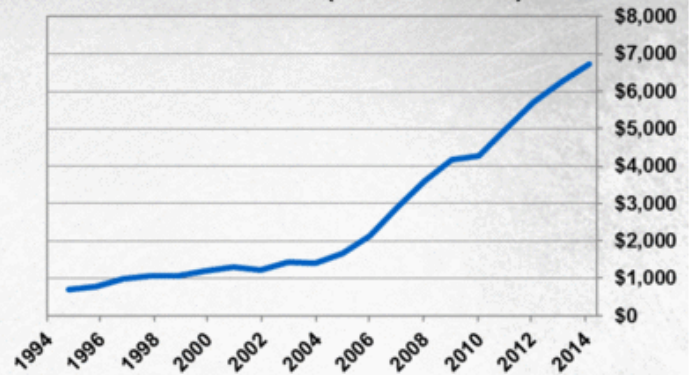
Other Financial Highlights:

LTM Operating EBITDA	\$1,578
Backlog	\$5,024
Credit Facility Availability	\$266
Cash + Credit Facility Availability	\$627

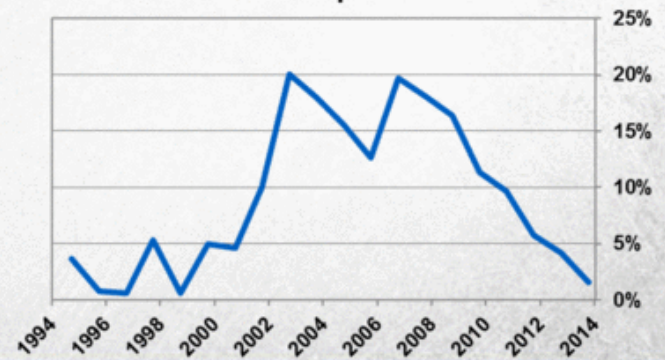
Credit Statistics:

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



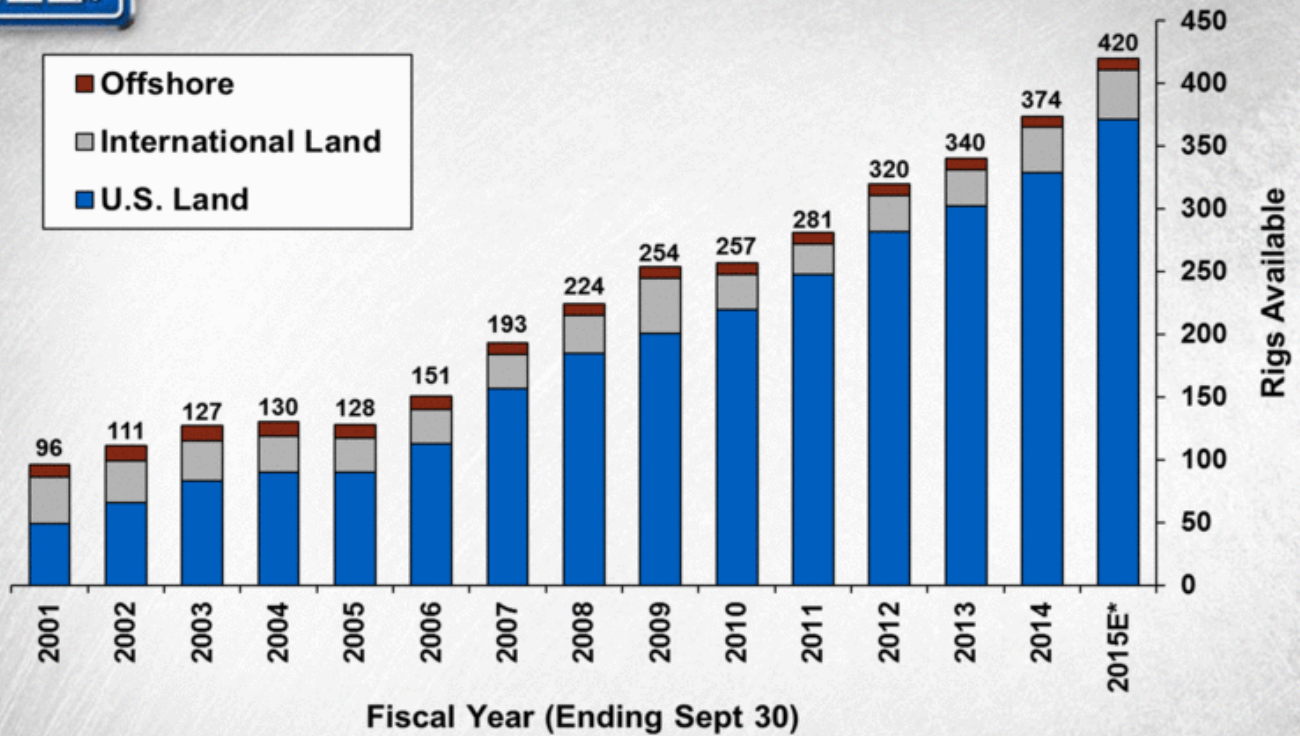
H&P's Conservative Financial Practices

- **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%
 - At current EBITDA run-rates, this peak capitalization ratio, ~20%, would represent a debt level under 1.0x EBITDA
- **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 \$260mm
- **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

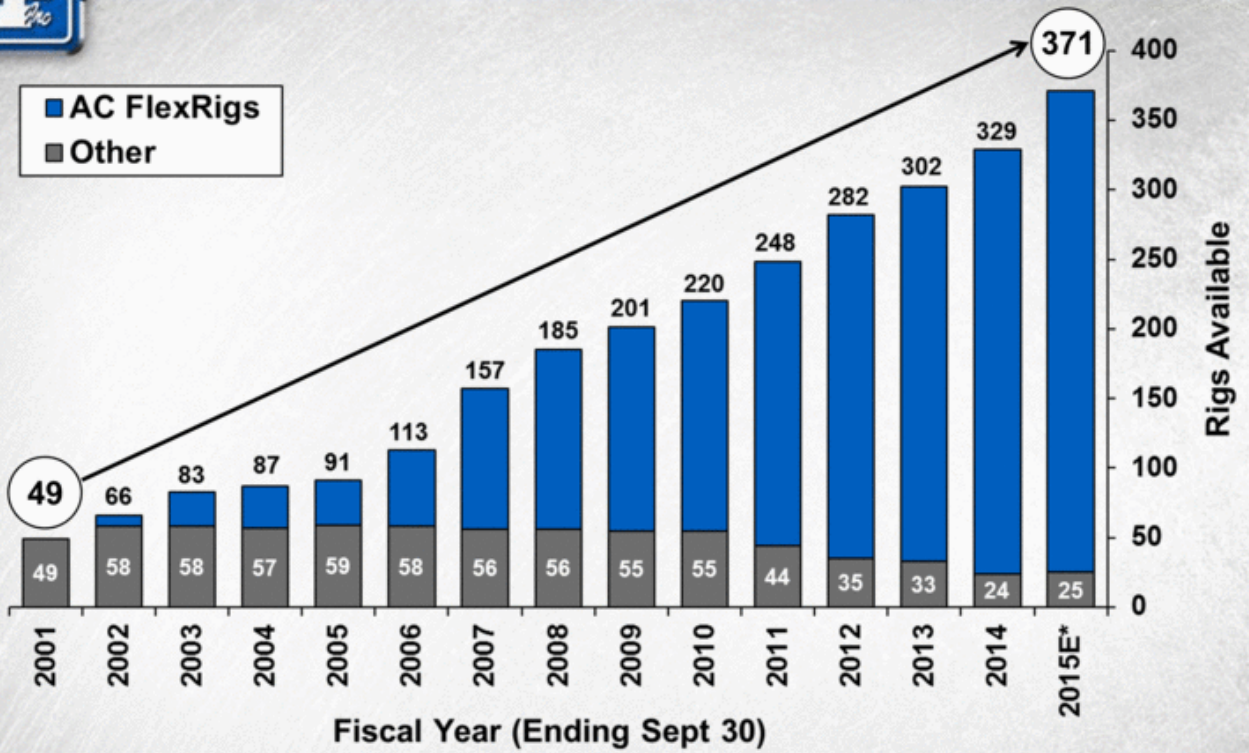


* Estimates include existing rigs and new build commitments as of January 7, 2015 and exclude nine conventional rigs decommissioned at the end of fiscal 2014.

Focus on Organic Growth



Organic U.S. Land Fleet Growth



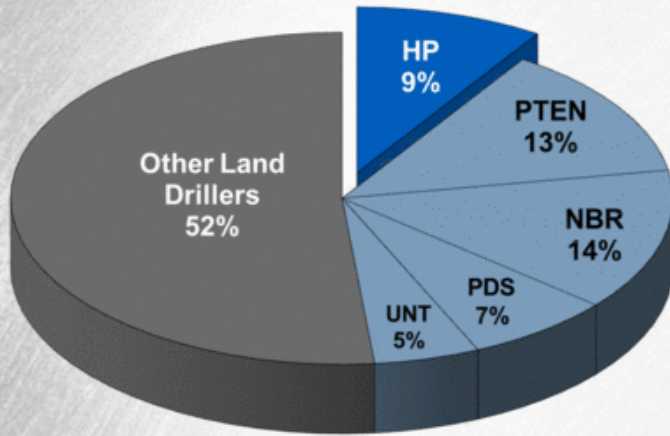
* Estimates include existing rigs and announced new build commitments.

Focus on Organic Growth

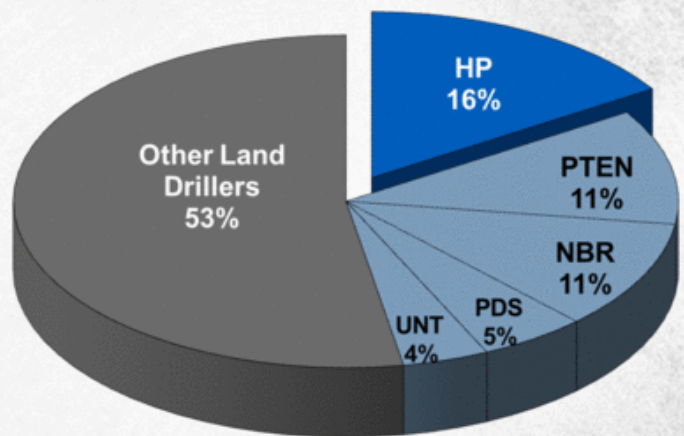


H&P Continues to Capture Market Share

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



As of December 2014
(~1,800 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.

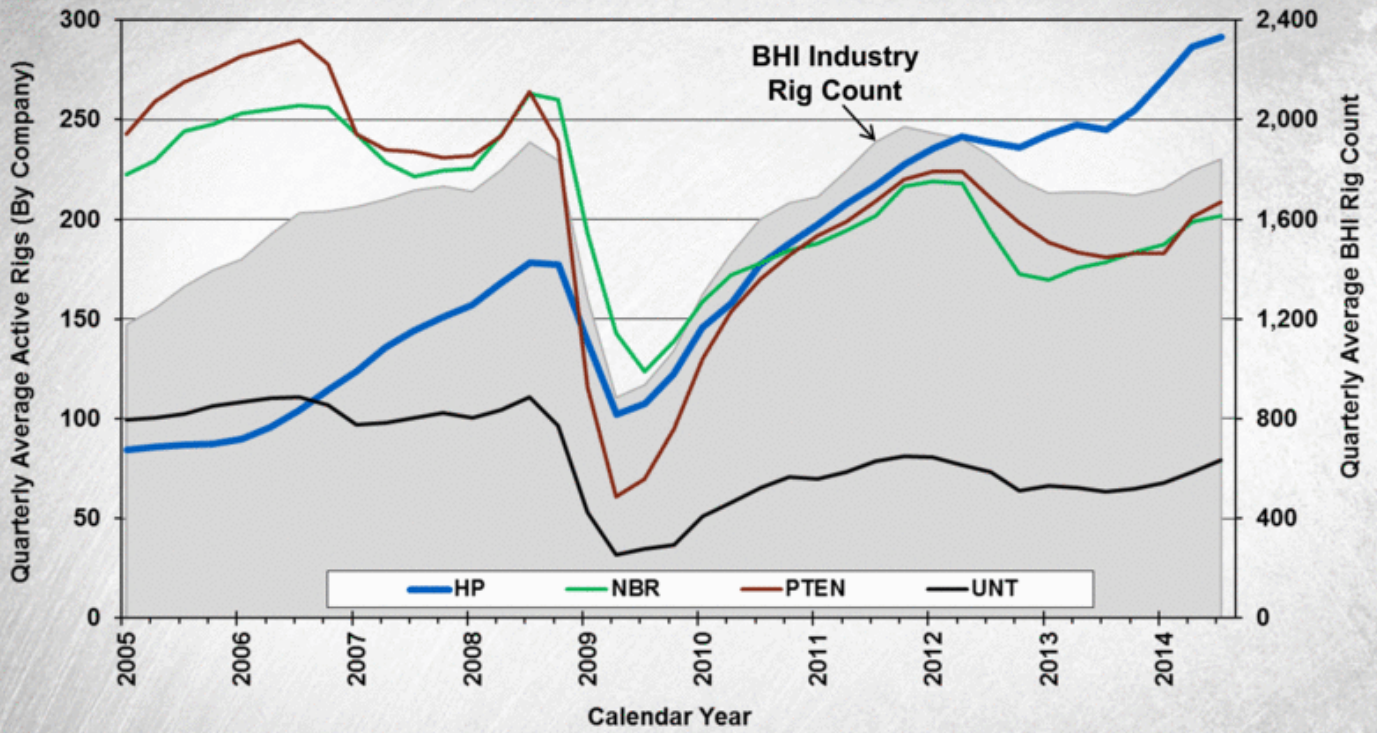


Market Leader



U.S. Land Active Rig Count

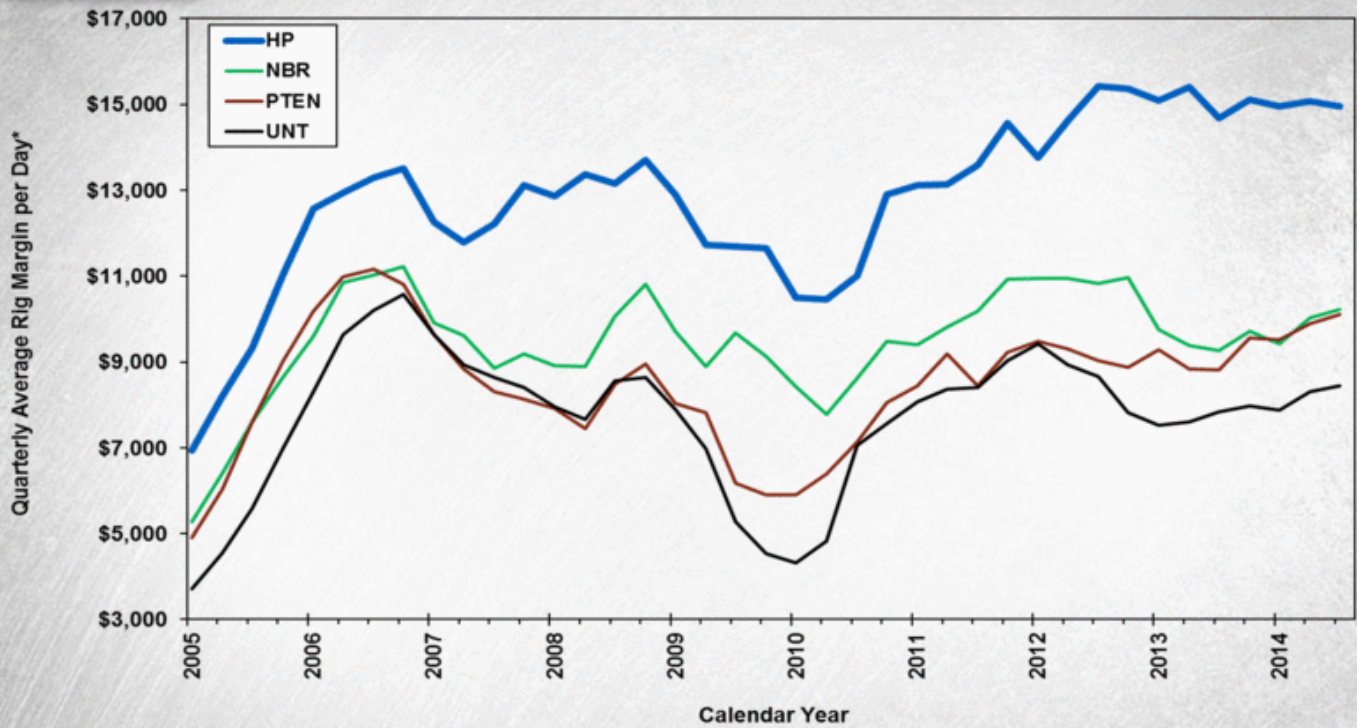
Through Third Quarter of Calendar 2014



Market Leader



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



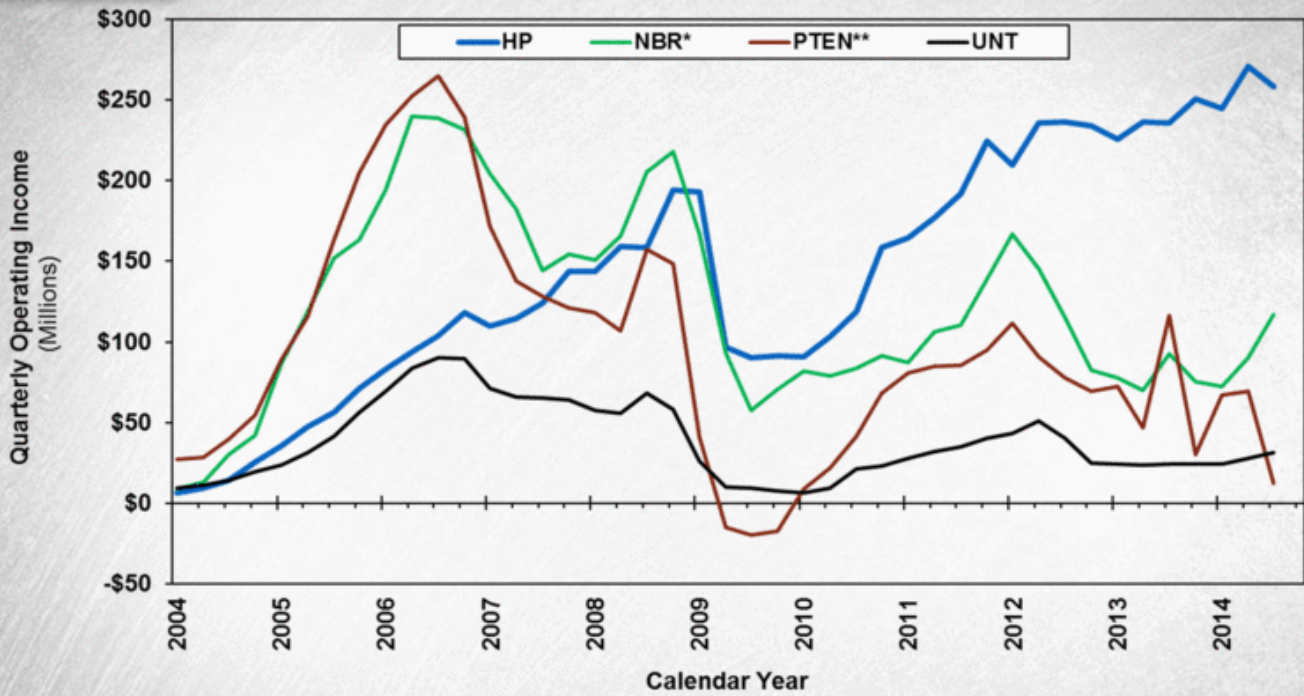
(1) Does not include the impact of early contract termination revenue.

Market Leader



Ten Year Profit Comparison

U.S. Land Drilling Operating Income



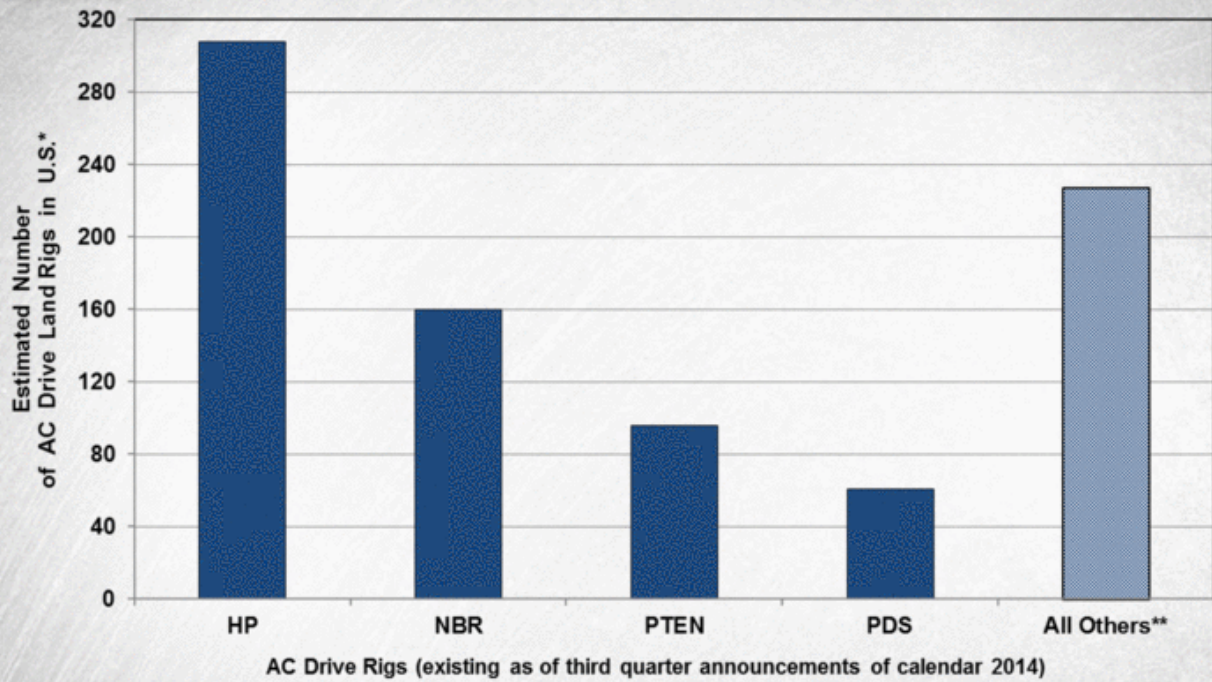
* NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore, and Alaska business units.

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

Market Leader



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



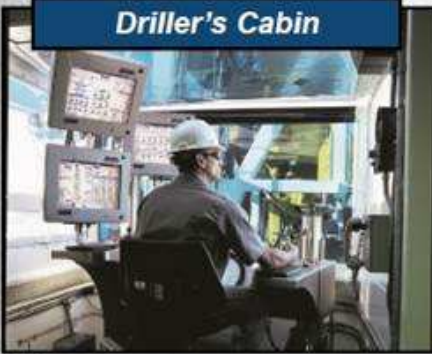
* The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

Most Advanced Fleet



Innovation & Applied Technology – FlexRig®

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



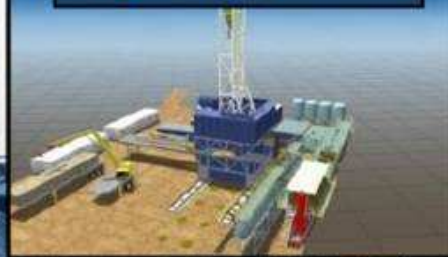
BOP Handling



Mechanized Tubular Handling



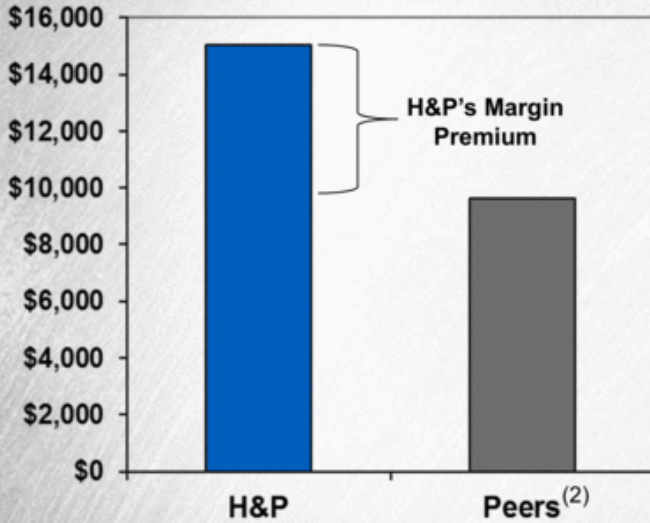
Rig Move Capabilities



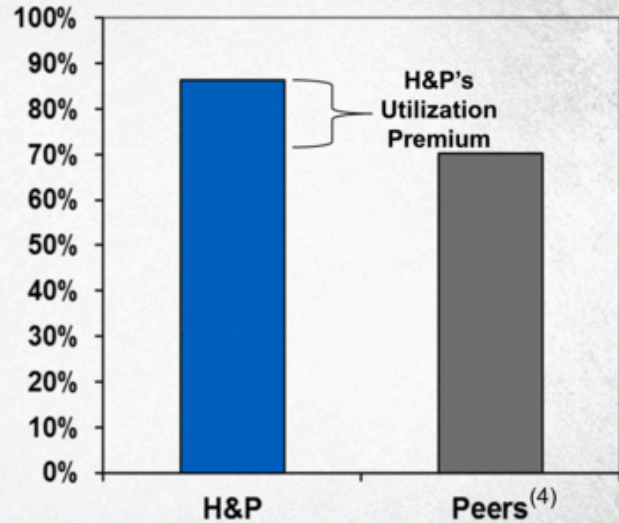


Technology & Quality Service Make a Difference

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:

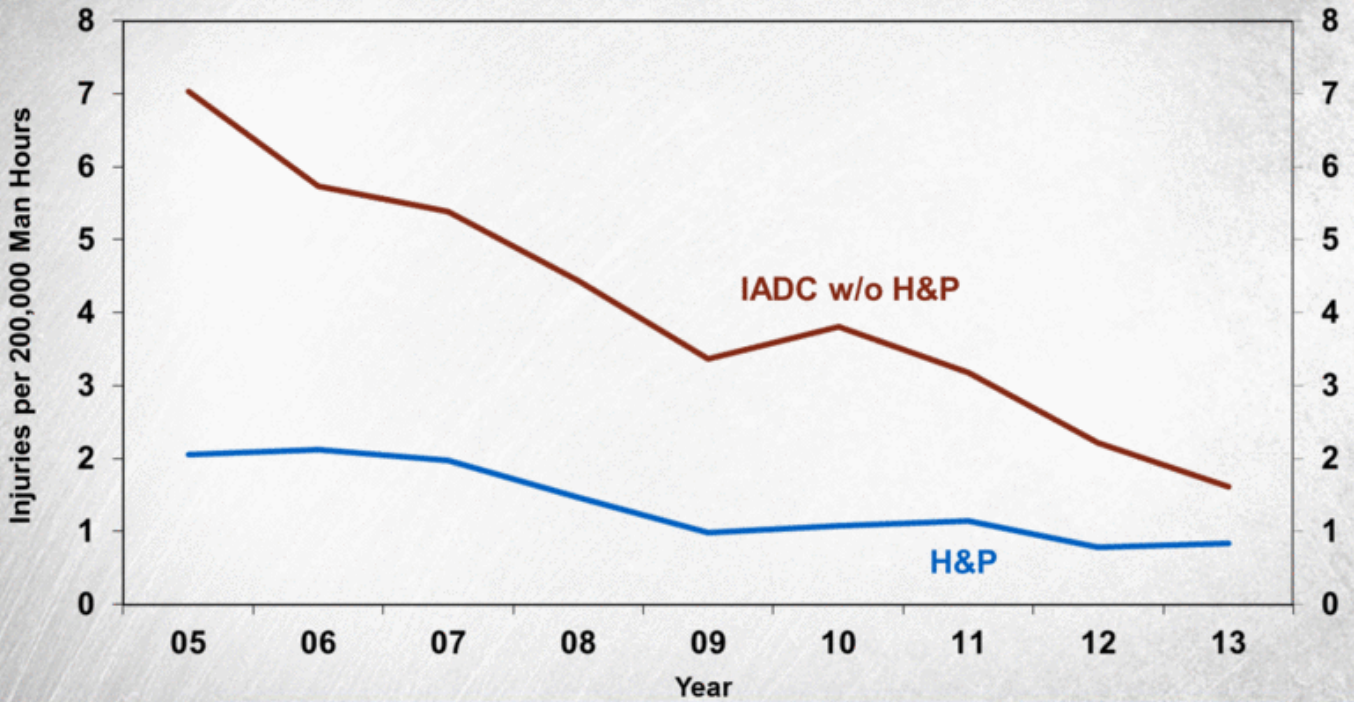
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





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

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



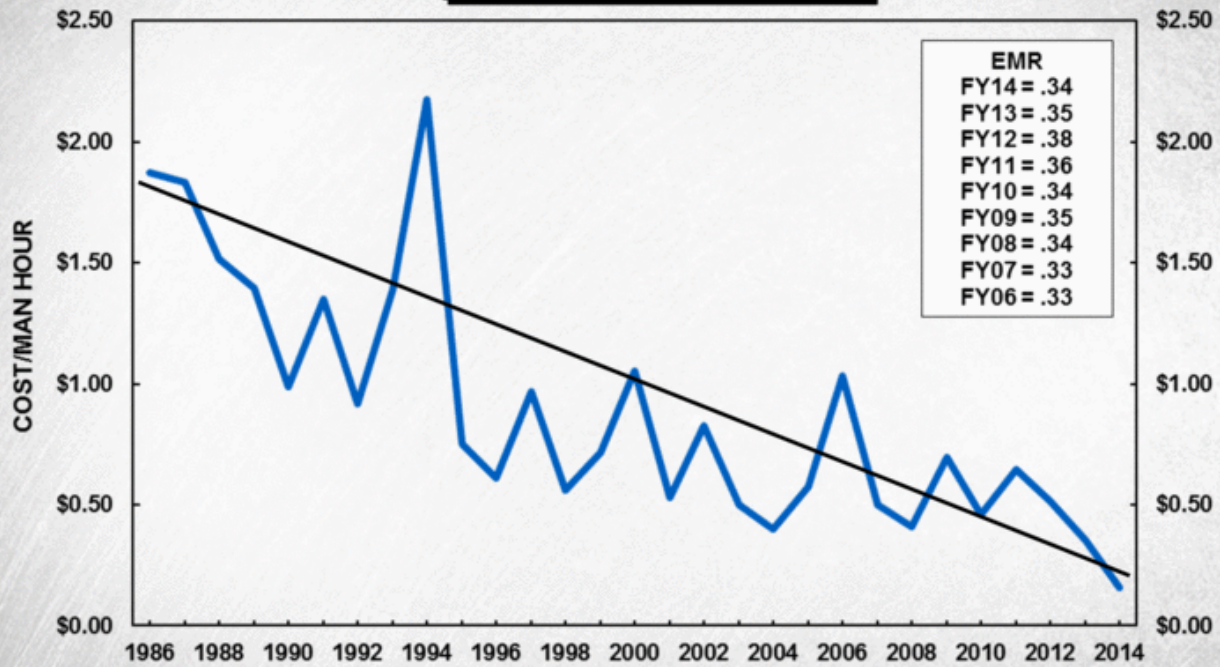
Best-in-Class Safety



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

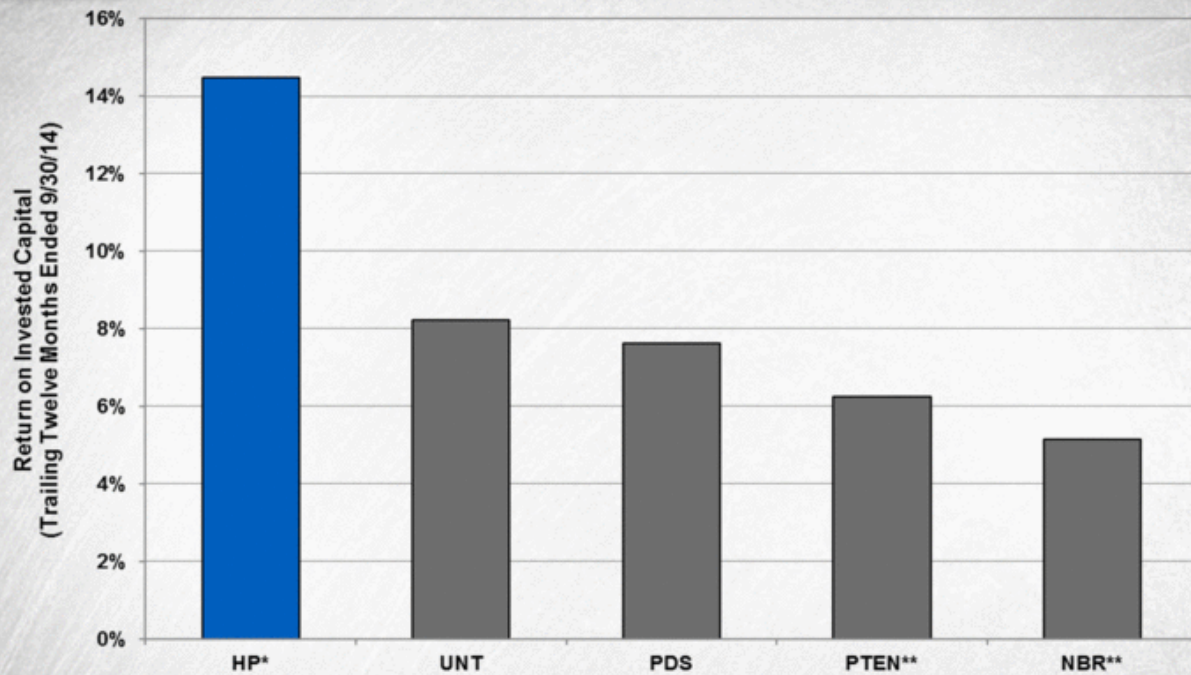


EMR = Experience Modifier Ratio (Industry Average = 1.00)

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%.

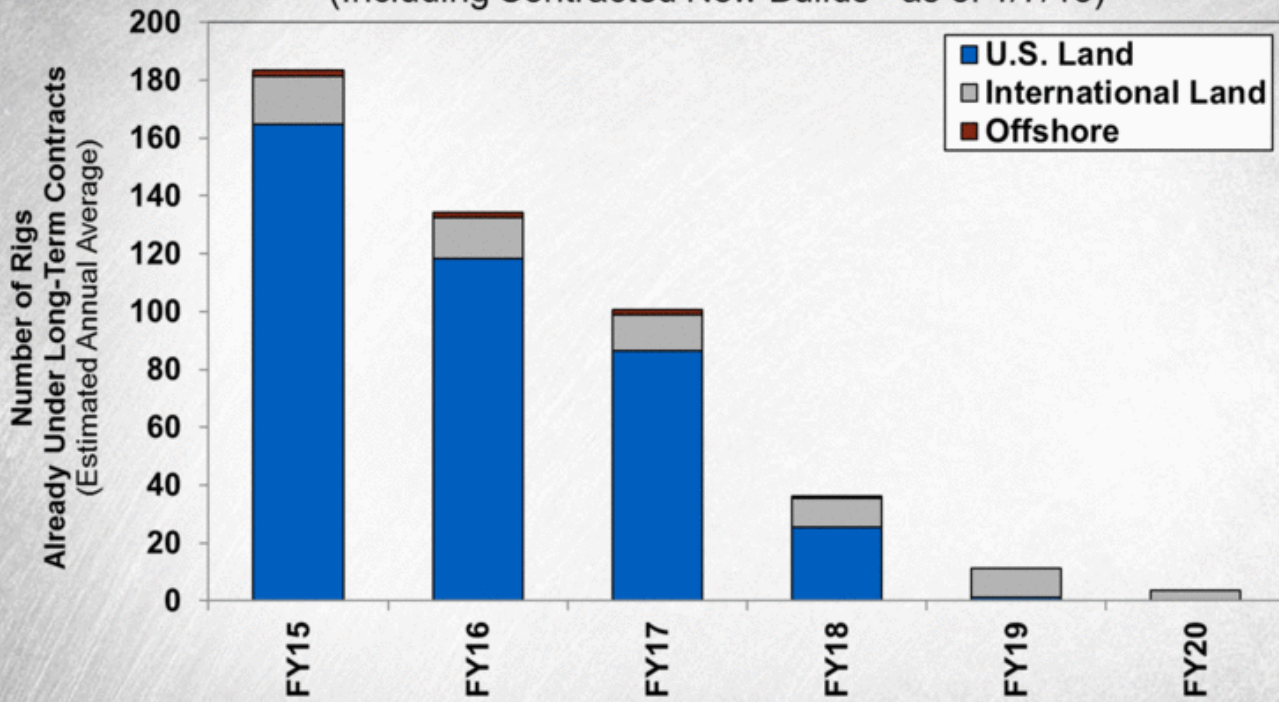
** The corresponding ROIC values for the selected companies exclude certain extraordinary, non-recurring charges.

Superior ROIC and ROE



H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet
(Including Contracted New Builds - as of 1/7/15)¹



(1) Includes four rigs with early termination notifications. All rigs included above are subject to early termination fees.

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.

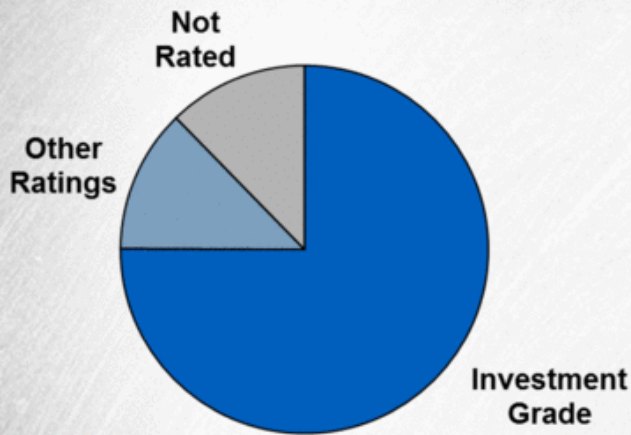
A horizontal banner with a blue-tinted background showing industrial scenes like drilling rigs and structural steel. The text 'Strong Backlog' is centered in a large, white, sans-serif font.

Strong Backlog

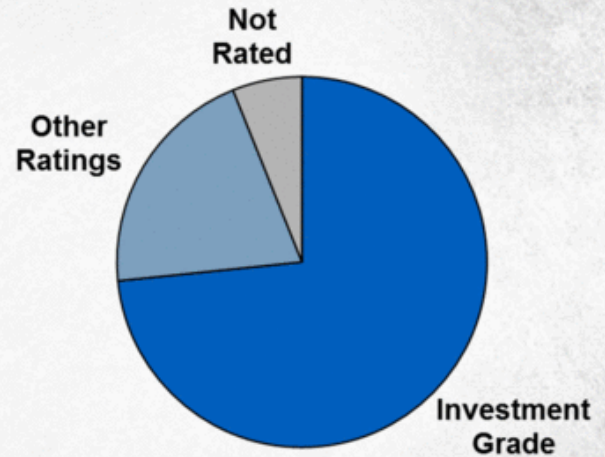


H&P Customer Credit Ratings

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



Number of Contracted Rig-Years**
(\$5 Billion H&P Backlog)



* As of September 30, 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.

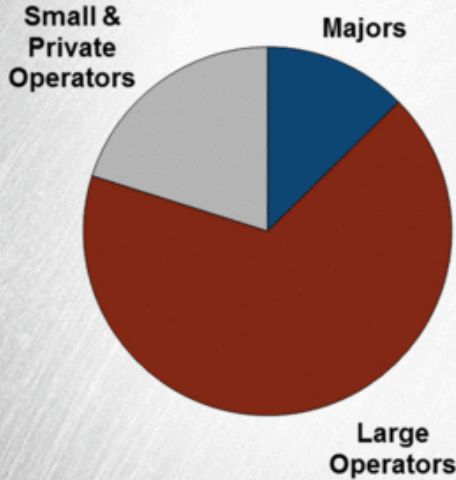
** The figures above represent H&P's customer commitments for term contract work beginning October 01, 2014.

High Quality Customer Base

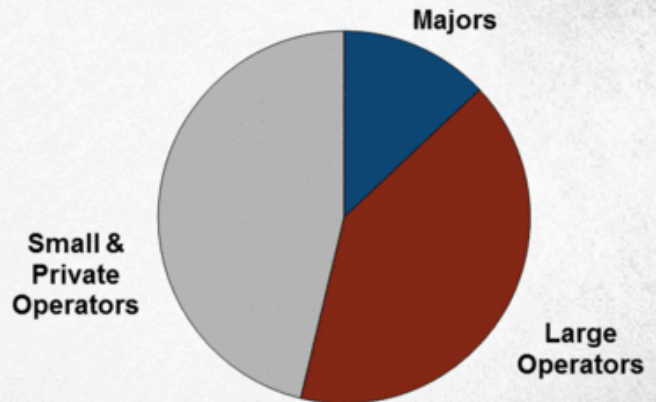


H&P vs. Industry U.S. Land Customer Base

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



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



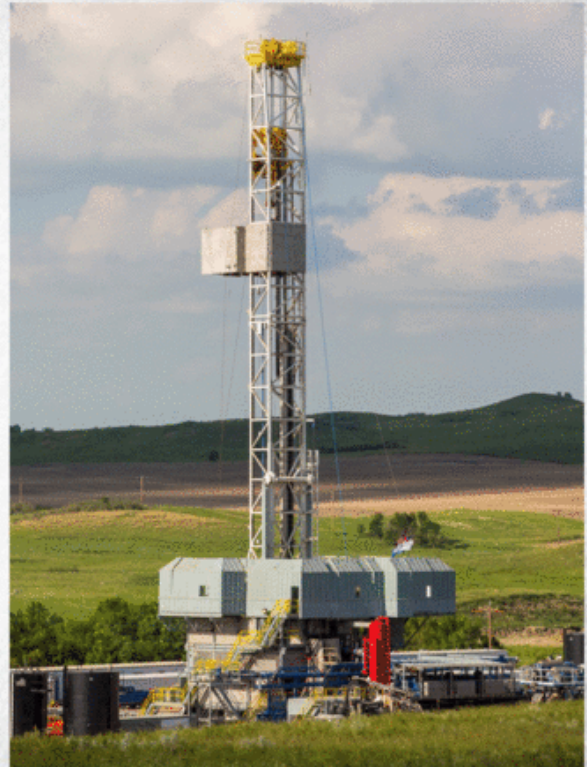
Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.

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.





Unconventional Plays Shaping Landscape

Well Complexity is increasing:

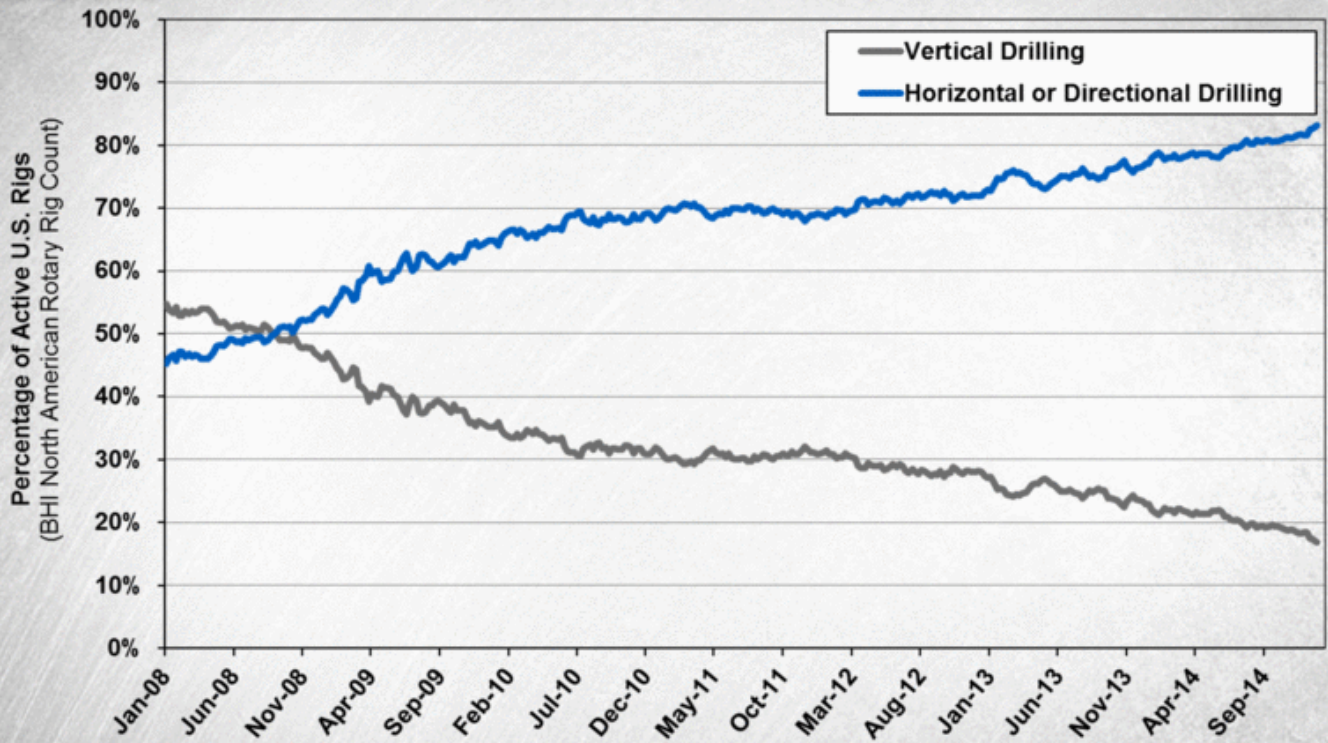
- Horizontal and directional wells make up about 80% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- This all creates an expanding level of demand for FlexRigs





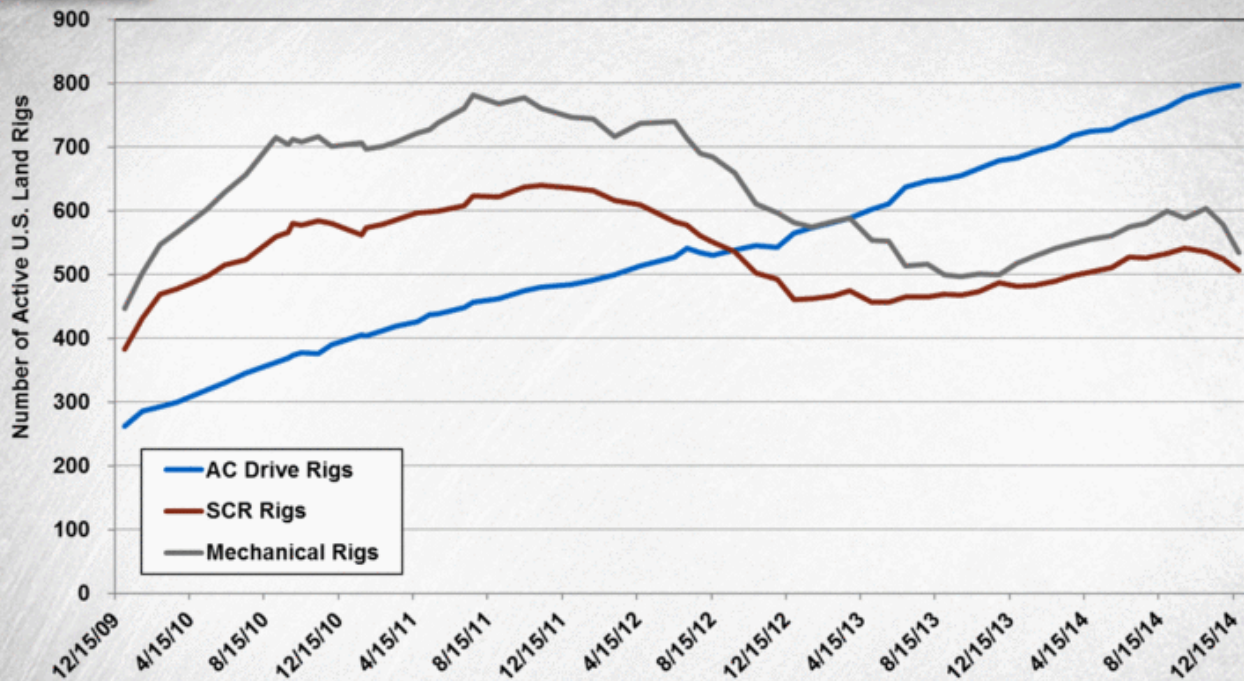
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





AC Rigs Continue to Gain Market Share



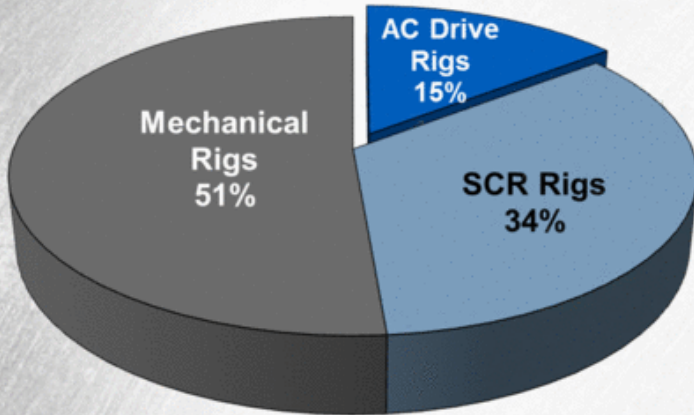
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.



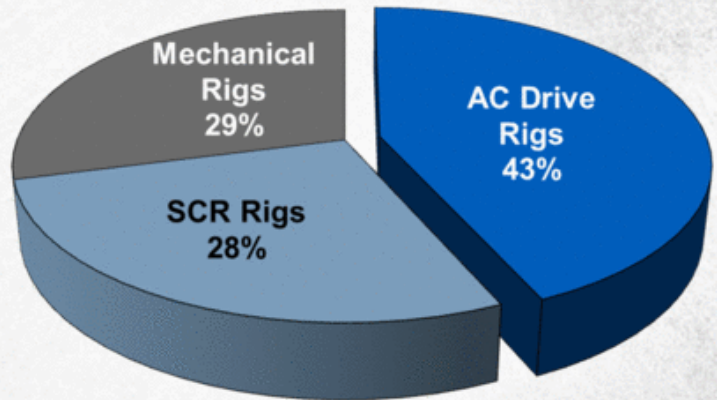


The Replacement Cycle Continues

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



As of December 2014
(~1,800 Active Rigs in U.S. Land
By Power Type)



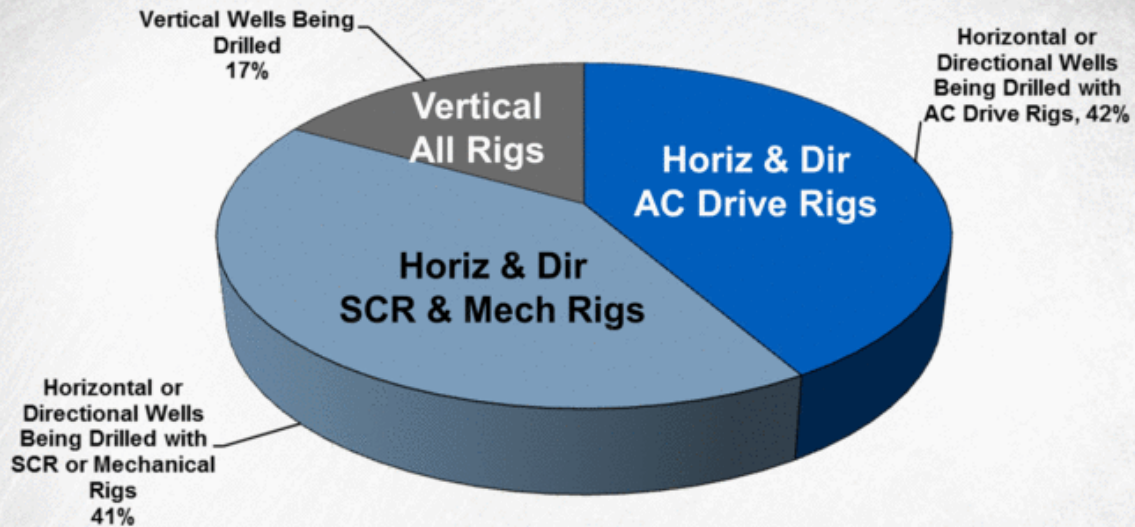
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.





U.S. Activity by Well and Rig Type

~1,800 Active U.S. Land Rigs (December 2014)



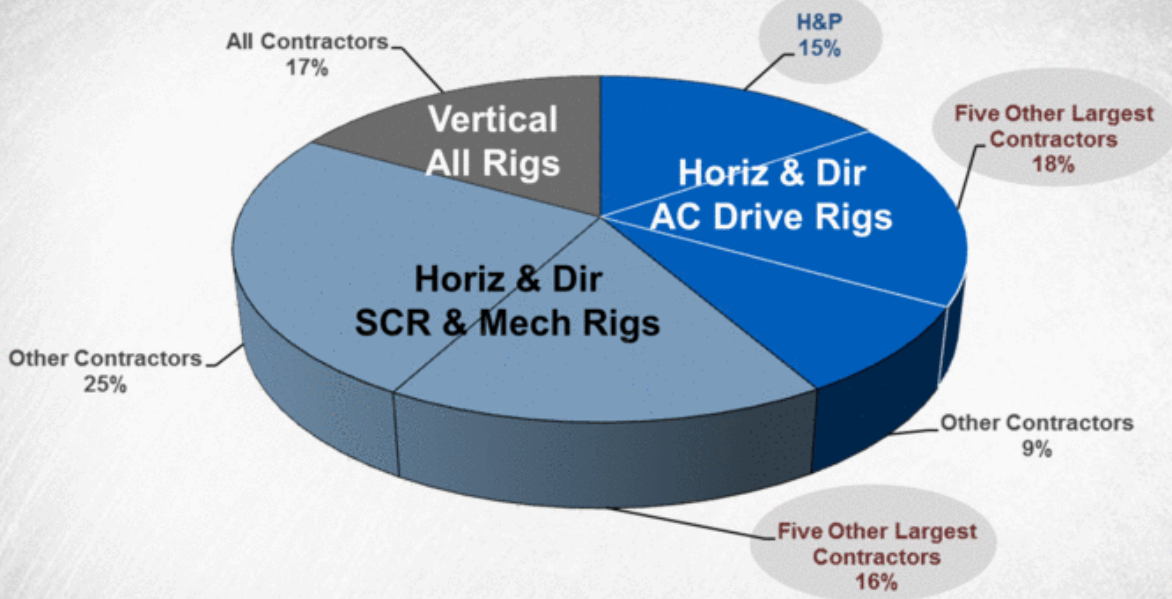
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made on less than 5% of the active rigs that were not readily identified.





U.S. Activity by Well and Rig Type

~1,800 Active U.S. Land Rigs (December 2014)



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 on less than 5% of the active rigs that were not readily identified.

Leading Replacement Cycle



New Build FlexRigs

- 89 new FlexRig contracts announced since October 1, 2013
- 55 of the 89 announced new FlexRigs have already been delivered
- Currently building at a cadence of four FlexRigs per month, with 46 new FlexRigs under contract for fiscal 2015
- 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 Activity as of January 7, 2015

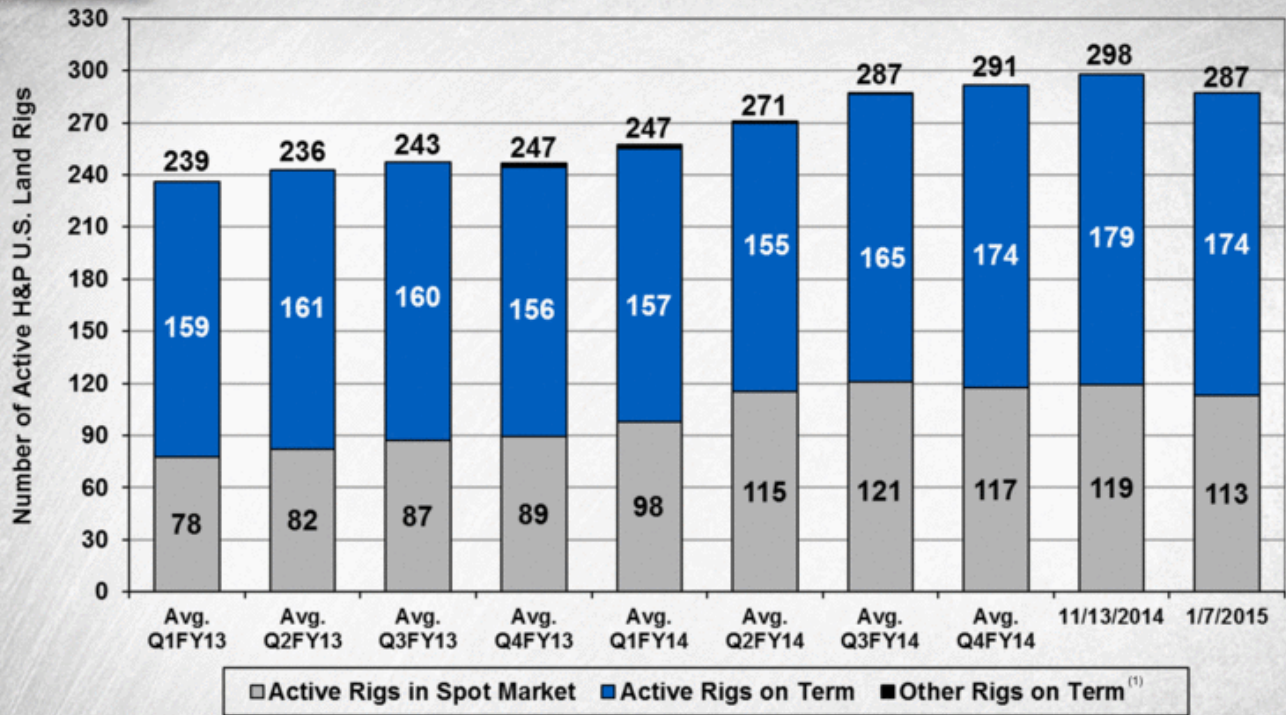
	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	337	287	85%
AC Drive FlexRigs	312	286	92%
SCR Fleet	25	1	4%
Offshore	9	9	100%
International Land	<u>40</u>	<u>30</u>	<u>75%</u>
Total	386	326	84%
FlexRig Construction⁽¹⁾	34		
Total Fleet	420		

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





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



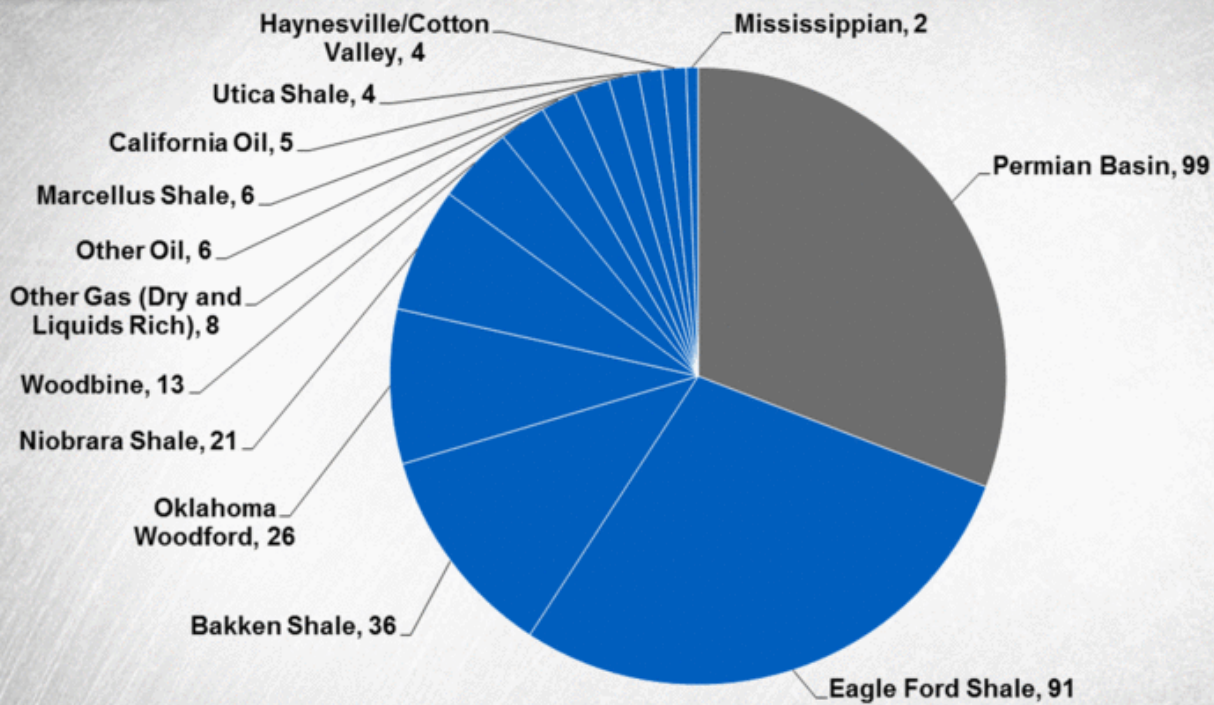
(1) Includes completed new builds pending delivery and not generating revenue days.





Leading U.S. Unconventional Driller

(321 H&P Contracted Land Rigs as of 1/7/15*)

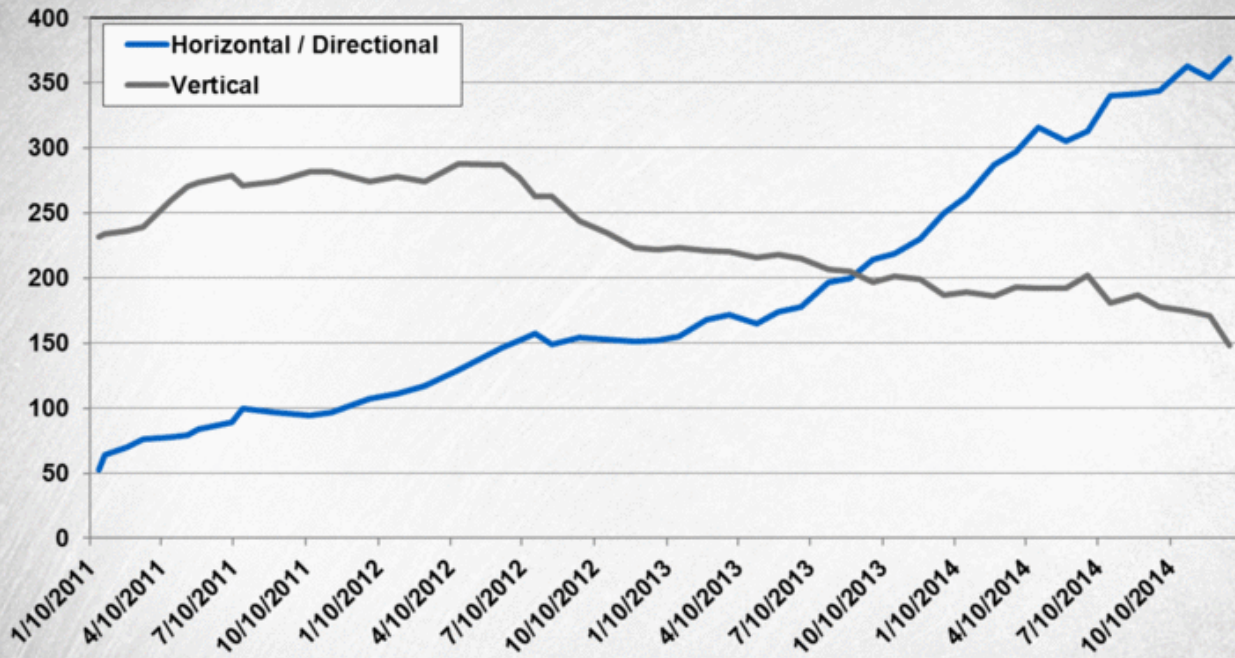


* Includes 34 announced new FlexRigs with customer commitments scheduled for delivery in fiscal 2015.





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 7, 2015)

	Active	In-Transit	Idle	Total	Long-term Contracts ⁽¹⁾
Argentina	10	8	1	19	12
Bahrain	3			3	3
Colombia	5		2	7	1
Ecuador	1		5	6	1
Mozambique	1			1	
Tunisia			2	2	
U.A.E.	2			2	2
Total	22	8	10	40	19⁽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 1/7/15)¹

Segment	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
U.S. Land	174.6	162.4	144.5	129.2	118.0	114.0	111.9
International Land	16.0	18.7	16.3	14.2	14.0	14.0	14.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	192.6	183.1	162.8	145.4	134.0	130.0	127.9

(1) Includes four rigs with early termination notifications. All rigs included above are subject to early termination fees.



Strong Backlog



Distribution of Announced New Builds

- Of the 89 new build FlexRigs announced since 10/1/2013, 39 are going to the Permian, 18 to the Oklahoma Woodford, 15 to the Eagle Ford, five to the Tuscaloosa Marine Shale, four each to the Utica and Bakken, two to the Haynesville and one each to the Niobrara and Woodbine.
- 17 customers have ordered these new FlexRigs under multi-year term contracts (53 FlexRig3 rigs, 35 FlexRig5 rigs, and one FlexRig4 rig).
- More than two-thirds of these new FlexRigs will be equipped with hydraulic skid systems designed for multi-well pad locations.





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



A Value Proposition Example – H&P vs. Competitors Permian Basin – Horizontal Well (Fiscal 2014)

	Estimated Conventional Rig (Spot Market)	Estimated Peer AC Rig	H&P FlexRig3 Average
1. Drilling days		15.4	12.1
Other days	No Data	3.0	3.0
Moving days		4.0	3.0
<i>Total rig revenue days per well</i>		22.4	18.1
2. Drilling contractor dayrate		\$25,000	\$27,000
Operator's other intangible cost per day estimate		\$45,000	\$45,000
Total daily cost estimate		\$70,000	\$72,000
<i>Total cost per well (daily services)</i>		<i>\$1,568,000</i>	<i>\$1,303,200</i>
3. Total well savings with H&P – per well per year		\$264,800 \$5.34MM	
Increased wells per rig per year versus peer AC Rig:		3.9 wells	





FlexRigs Delivering Drilling Efficiencies

- We have over 1,400 rig years of AC Drive FlexRig drilling experience.
 - Drilled over 52 million feet in 2012
 - Drilled in excess of 61 million feet in 2013
 - Improved our footage per day by 23% in 2012
 - Improved our footage per day by 14% in 2013

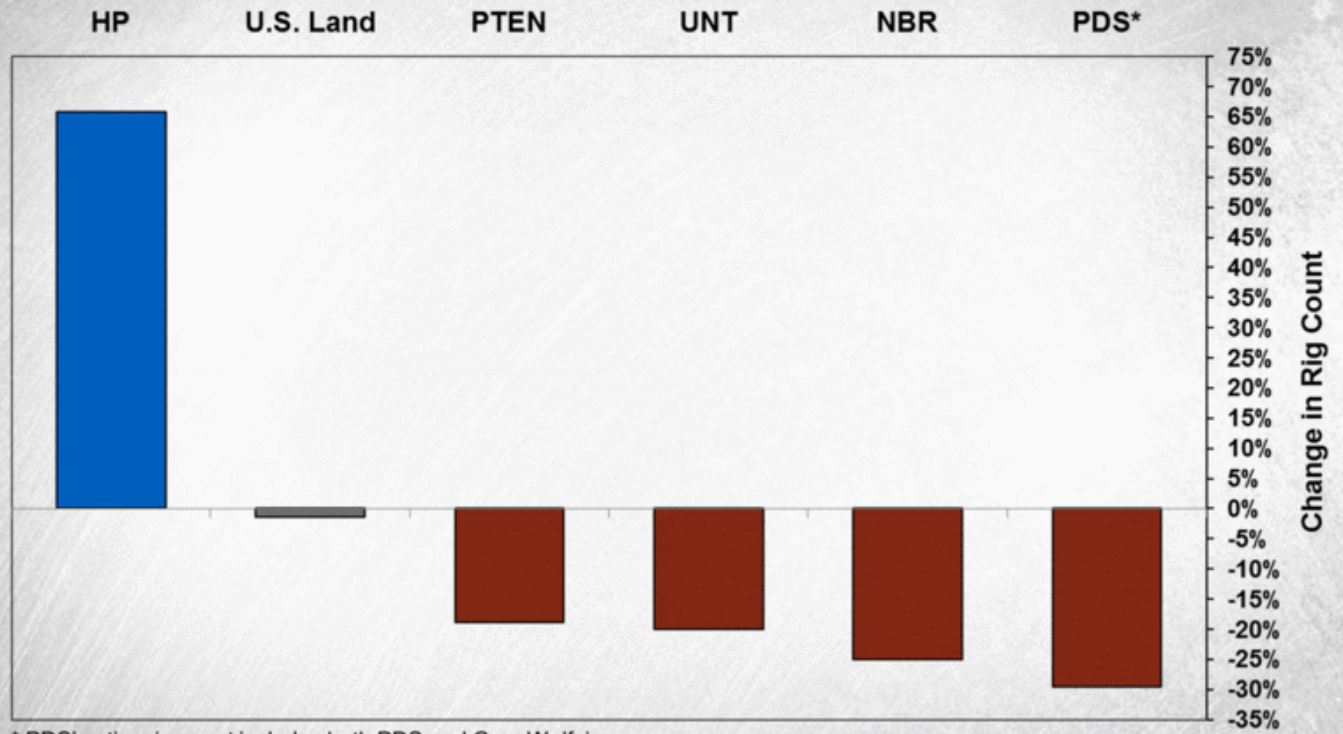




Changes in Lower 48 U.S. Land Rig Count

Estimated Change Since 2008 Peak in Active U.S. Land Rigs

(Rig Data Weekly Rig Count - October 2008 to December 2014)

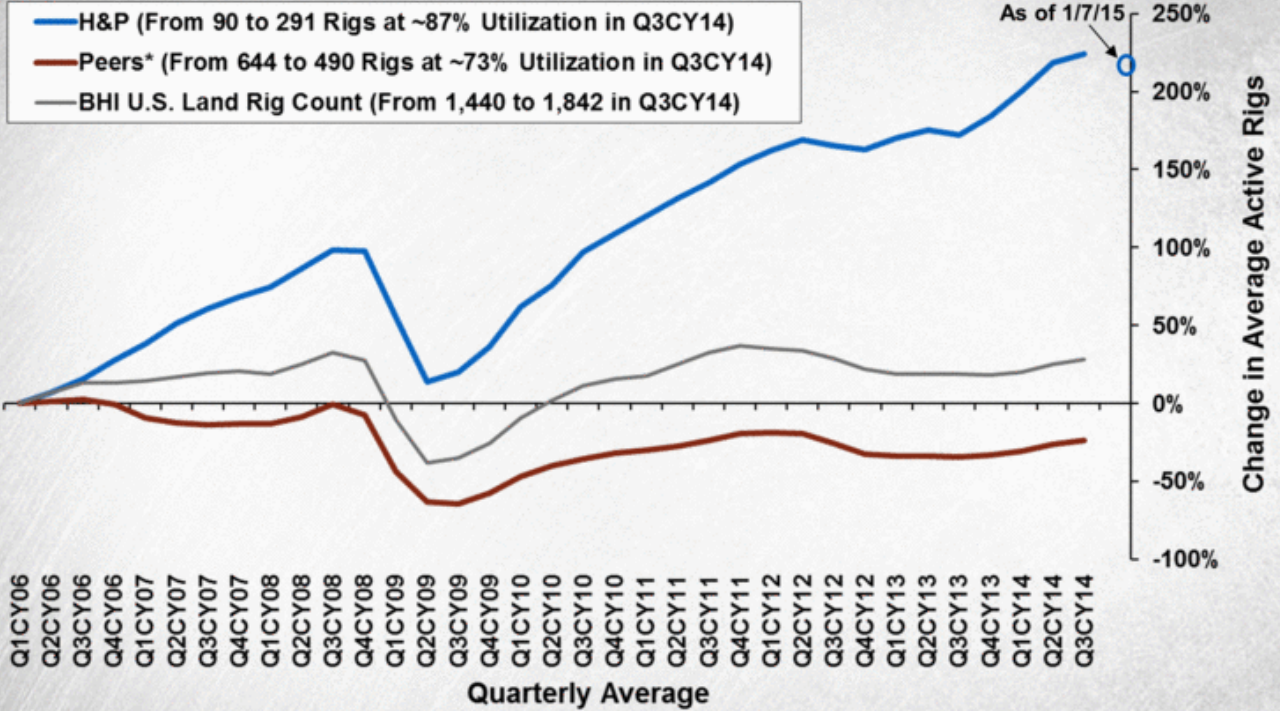


* PDS' active rig count includes both PDS and Grey Wolf rigs.





Growth / Decline in U.S. Lower 48 Rig Activity

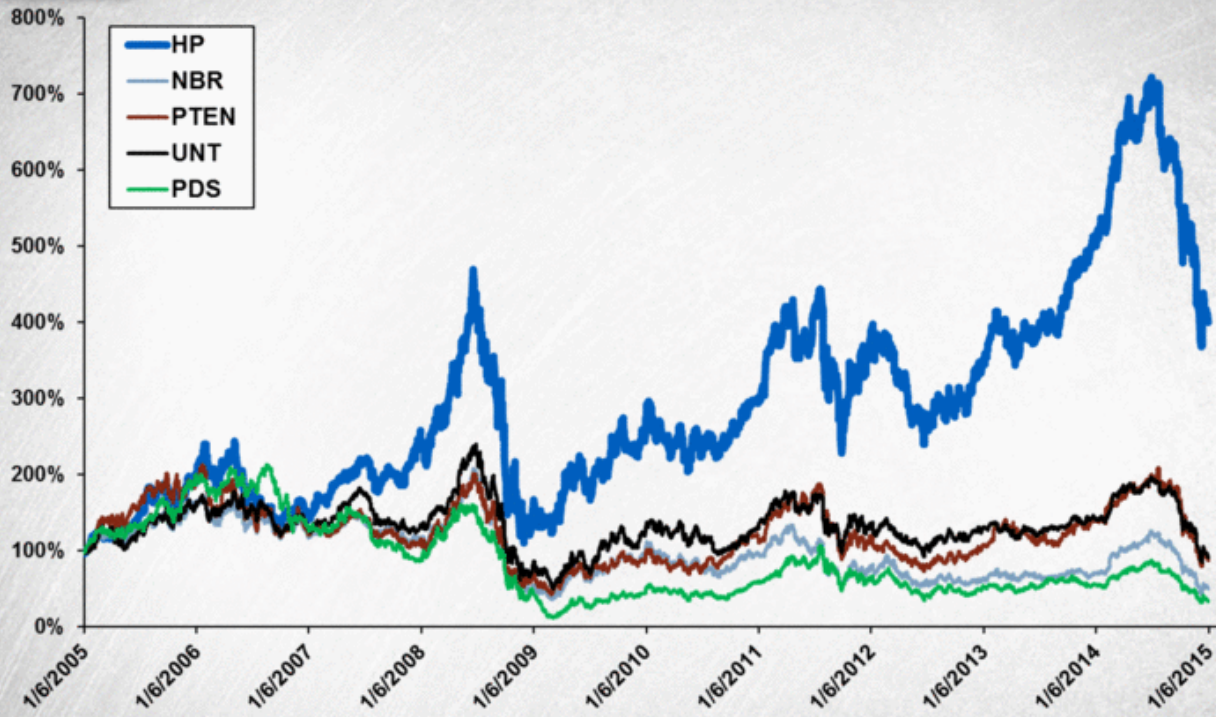


*Represents average active rigs for NBR, PTEN, and UNT.

Market Leader



Ten-Year Relative Shareholder Return

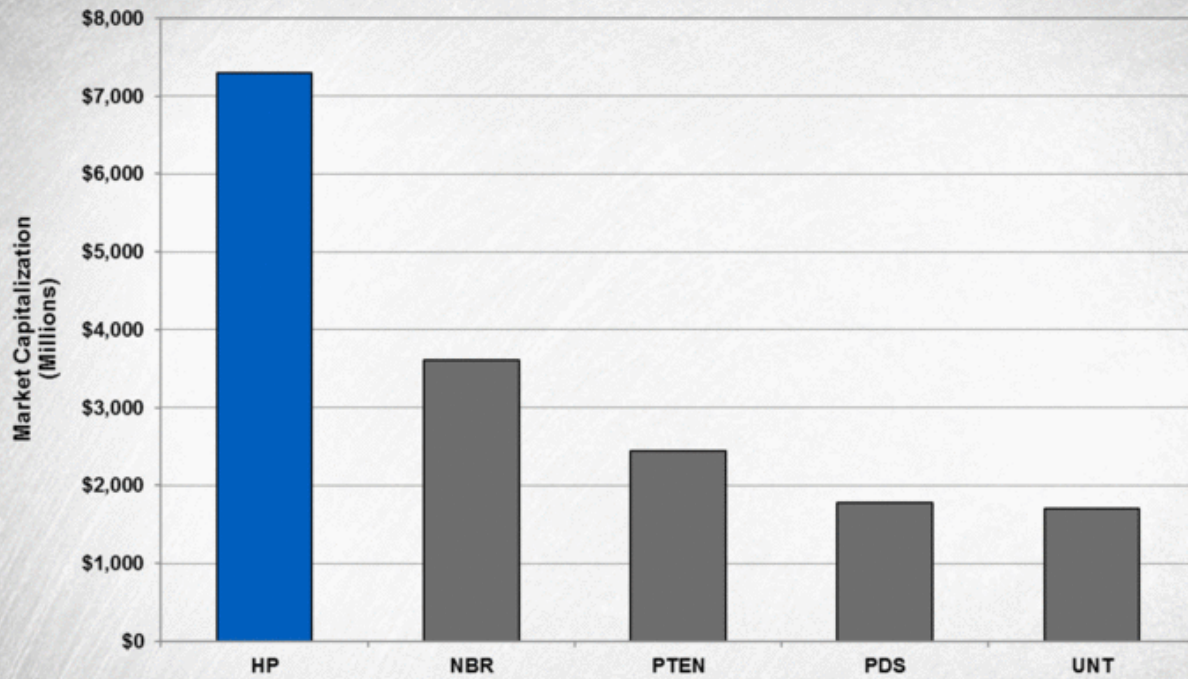


Source: Thomson Reuters as of January 5, 2015.





Land Drilling Market Valuations

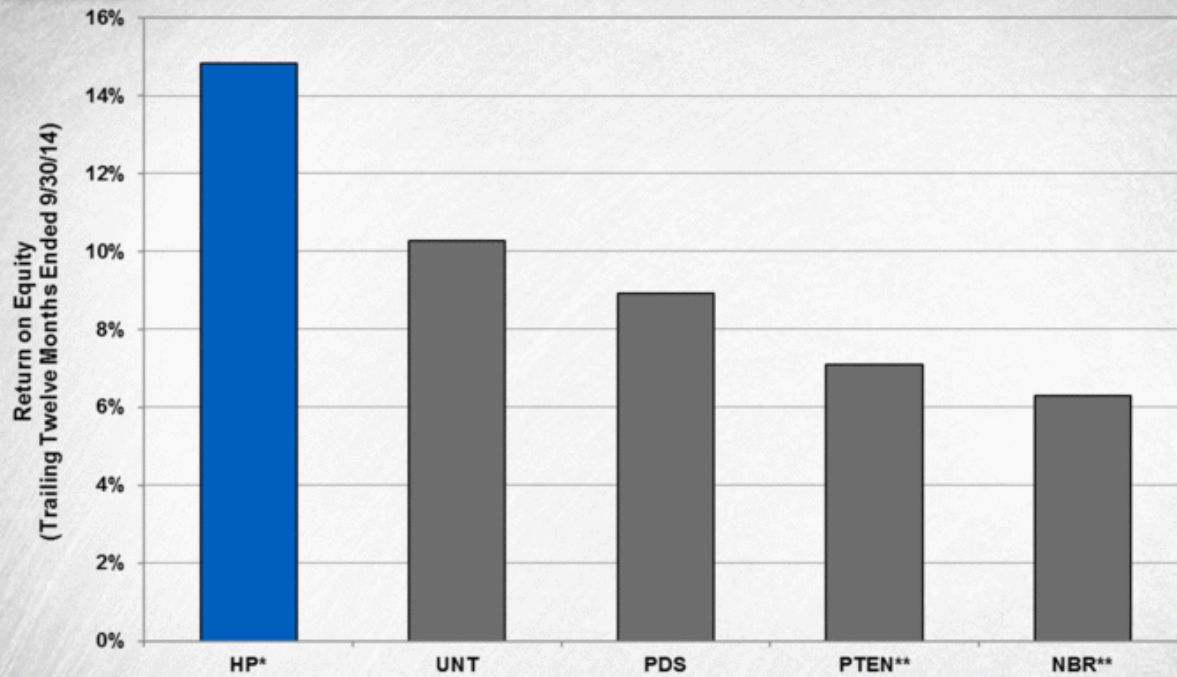


Source: Thomson Reuters as of January 5, 2015.





Return on Equity



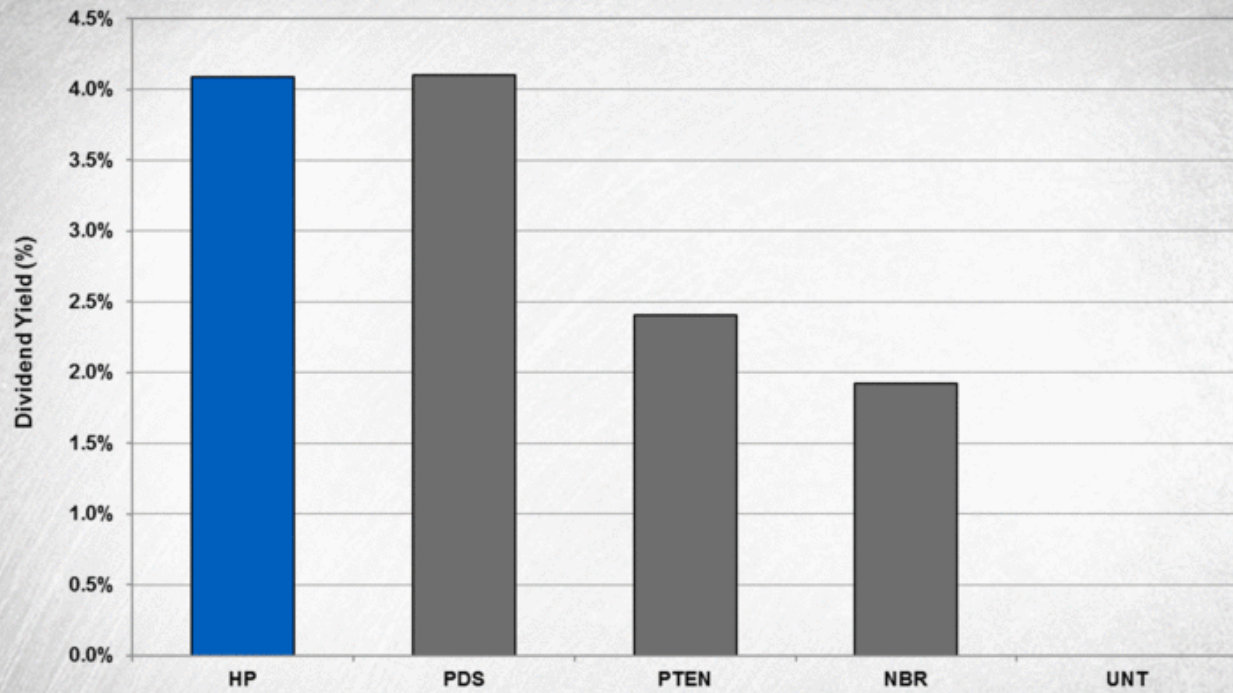
* Excludes gains from the sale of investment securities and 4QFY14 abandonment (non-cash) charges. H&P's unadjusted ROE resulted in 15.2%.

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

Superior ROIC and ROE



Current Dividend Yields

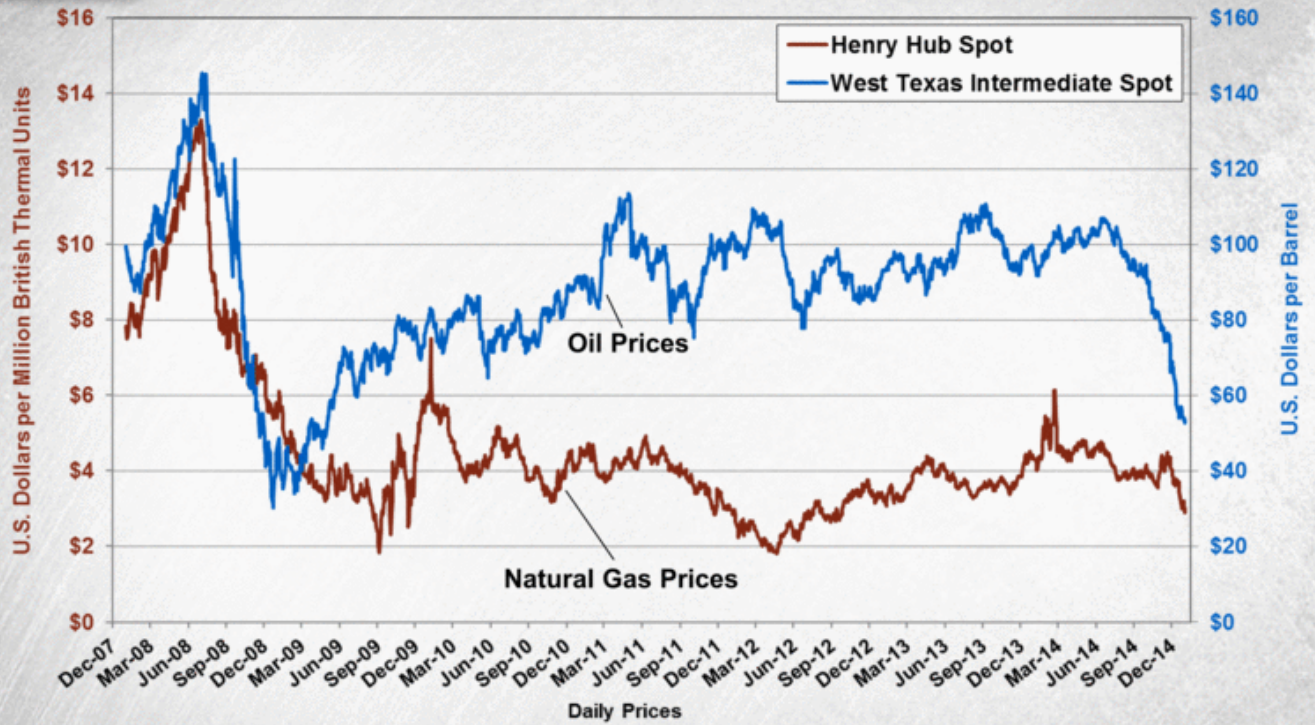


Source: Thomson Reuters. Yields calculated as of market close on January 5, 2015.





Oil and Natural Gas Prices

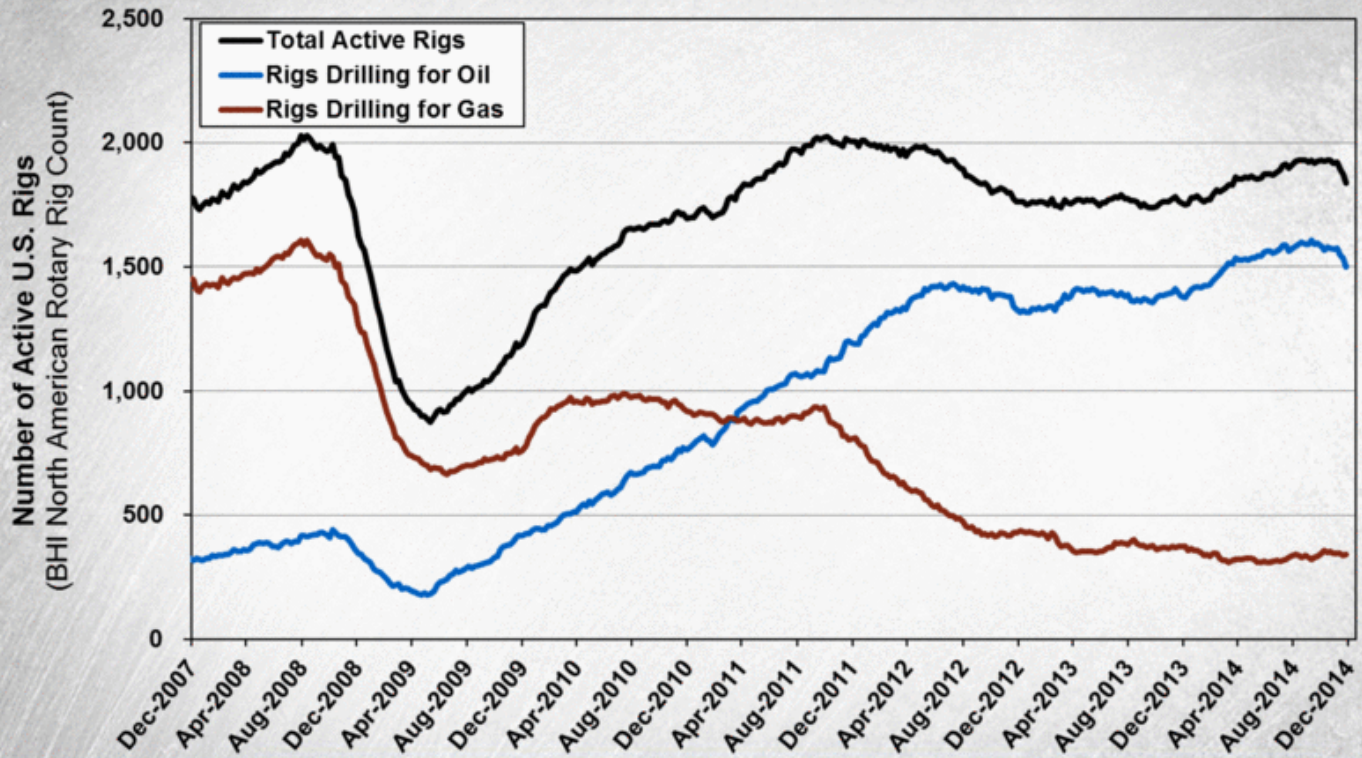


Source: Energy Information Administration and Thomson Reuters





Oil vs. Natural Gas Directed Rig Count





End of Document

