

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 06/23/15 for the Period Ending 06/23/15

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: **June 23, 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. In addition to other information, the attached slides provide (i) updated operational outlook data for the Company's third fiscal quarter and (ii) updated Company and industry drilling activity and market conditions.

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/ Jonathan M. Cinocca
Jonathan M. Cinocca
Corporate Secretary

DATE: June 23, 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

June 24-25, 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, our third quarter operational outlook, 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.



Updating H&P's Third Quarter Operations Outlook

(Third Quarter Compared to Second Quarter of Fiscal 2015)

➤ U.S. Land Segment

- Revenue days still expected to decrease by roughly 32%
- Average rig revenue per day now expected to decrease to roughly \$26,500 ⁽¹⁾ (excluding the impact from early termination revenues)
- Average rig expense per day now expected to increase to roughly \$14,300 ⁽²⁾

➤ Offshore Segment

- Revenue days still expected to decline by ~10%
- Average rig margin per day now expected at roughly \$14,000 ⁽³⁾

➤ International Land

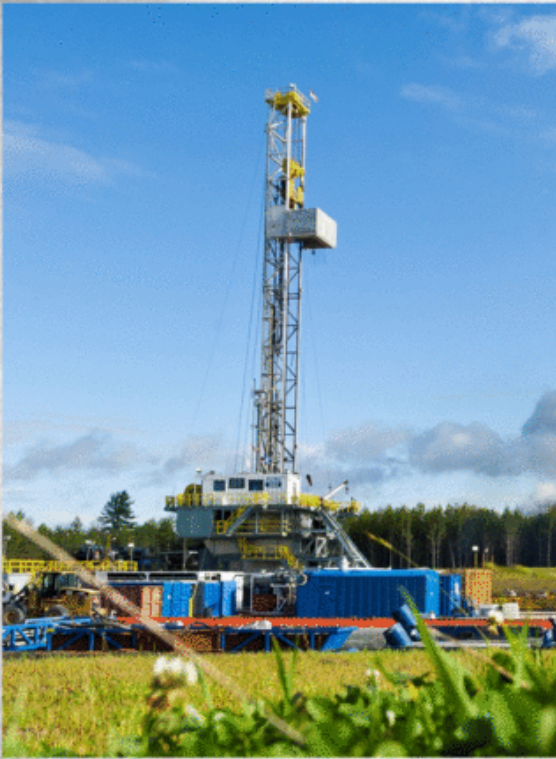
- Revenue days expected to be relatively flat
- Average rig margin per day now expected to be relatively flat ⁽⁴⁾ (excluding the impact from early termination revenues)

-
- (1) *The estimate decreased primarily as a result of mutually beneficial renegotiations of some long-term contracts which resulted in reduced dayrates in the short term in exchange for additional term durations at fully priced levels (with no impact to the backlog for the corresponding rigs).*
- (2) *The estimate increased primarily as a result of the very high volume of stacked rigs and related efforts to be cost-effective through the cycle and well positioned for a potential industry recovery. At this point, we expect average rig expense per day during the following quarters to at least slightly decline from this new estimate as we manage the corresponding transition.*
- (3) *The estimate improved primarily as a result of performance and contract negotiations.*
- (4) *The estimate improved primarily as a result of performance and the postponed mobilization of certain idle rigs.*





U.S. Land Drilling Market Conditions



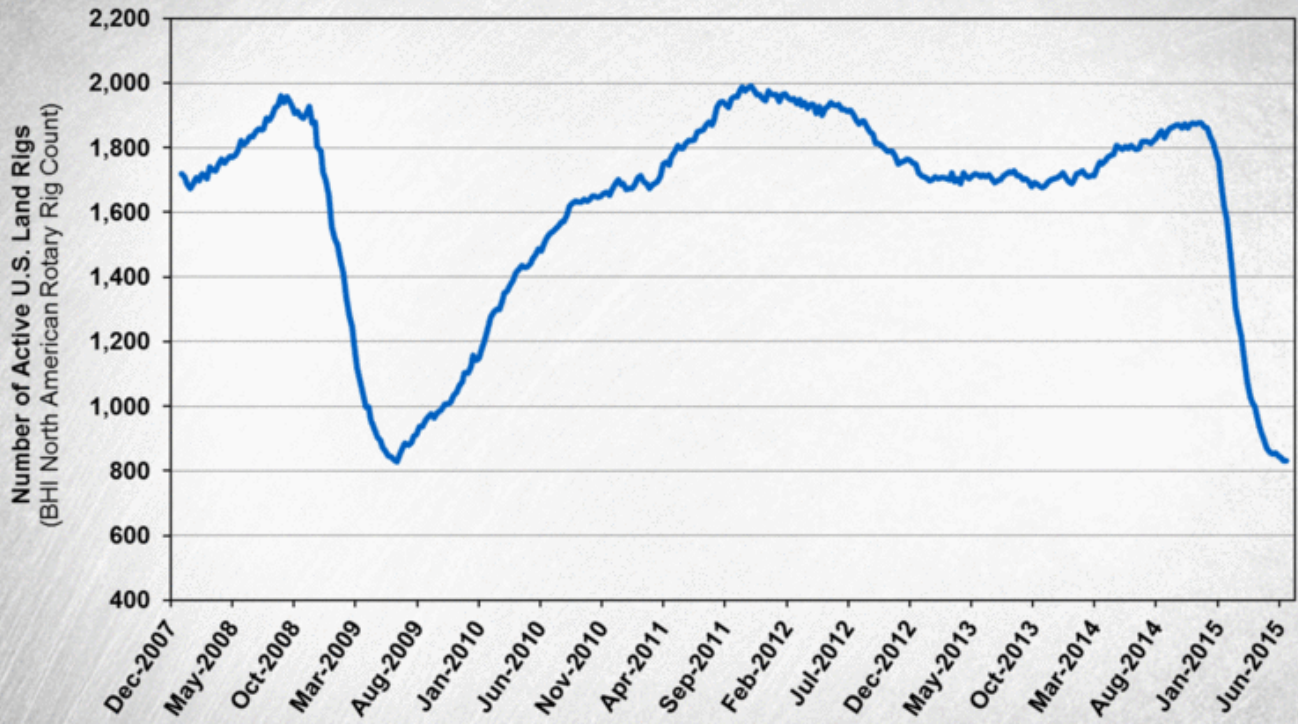
- Although the market remains soft, there are some indications that the trough may be nearing.
 - We are receiving more inquiries for FlexRigs and bid activity has improved.
 - We continue to contract some FlexRigs in the spot market with customers who are high-grading as well as adding rigs in their drilling programs.
 - Conversations with some customers suggest that they may be reactivating rigs in the near term.
- With the largest and most modern fleet of AC drive rigs in the industry (including over 175 pad capable FlexRigs), we believe H&P is the best positioned drilling contractor.





Declining Drilling Activity in the U.S.

BHI U.S. Land Rig Count





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

- H&P's U.S. Land segment had approximately 153 contracted rigs generating revenue as of June 19, 2015, down from 161 on May 15, 2015.
- H&P's U.S. Land segment had 180 idle AC drive FlexRigs as of June 19, 2015, providing H&P with unprecedented leverage to significantly increase activity levels during a future industry recovery and ongoing replacement cycle.
- Average FlexRig spot pricing continues to decline; it was down by approximately 28% as of June 19, 2015, as compared to spot pricing at the peak last November.
- Since our most recent update in mid-May, H&P's U.S. Land segment has received early termination notices for two additional rigs working under long-term contracts.





About Helmerich & Payne (H&P)

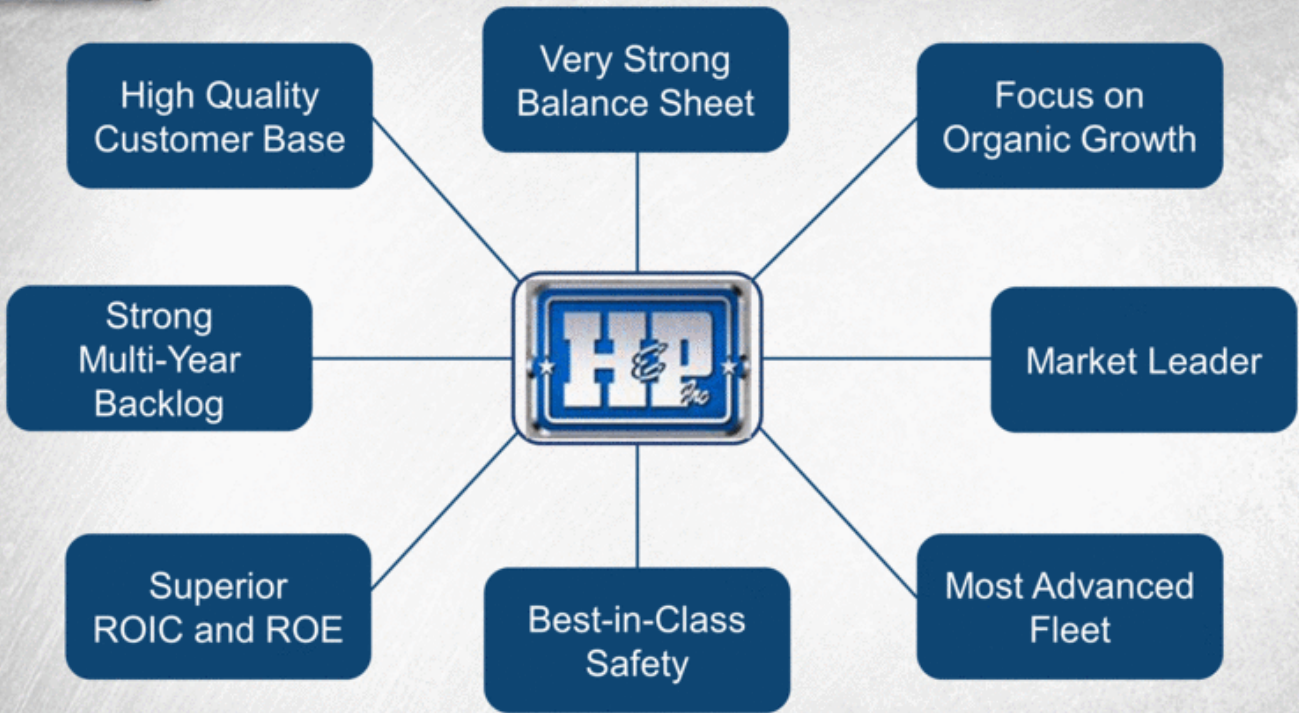


- A premier land drilling contractor founded in 1920
- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern and capable land drilling fleet
- Leader in ongoing industry land rig replacement cycle
- Focused on superior innovation, safety and returns on capital
- Strong term-contracted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





H&P Highlights





H&P's Conservative Financial Practices

- **Conservatively managed balance sheet throughout its history**
 - Over the last 20 years, H&P's average total-debt-to-total-capitalization ratio has been under 10%, peaking twice at ~20% during that timeframe
 - Even after the recent debt issuance of \$500 million, H&P's capitalization ratio increased to only slightly over 10%
 - H&P's net-debt-to-total-capitalization ratio remains at under 0%
- **Strong liquidity**
 - H&P has historically kept ample balances of cash and cash equivalents
 - In addition, H&P has maintained a five year, \$300 million revolving credit facility since May 2012
- **No speculative new builds since 2004**
 - Beginning in 2005, all new builds have been deployed with a customer contract (average duration of ~3 years)

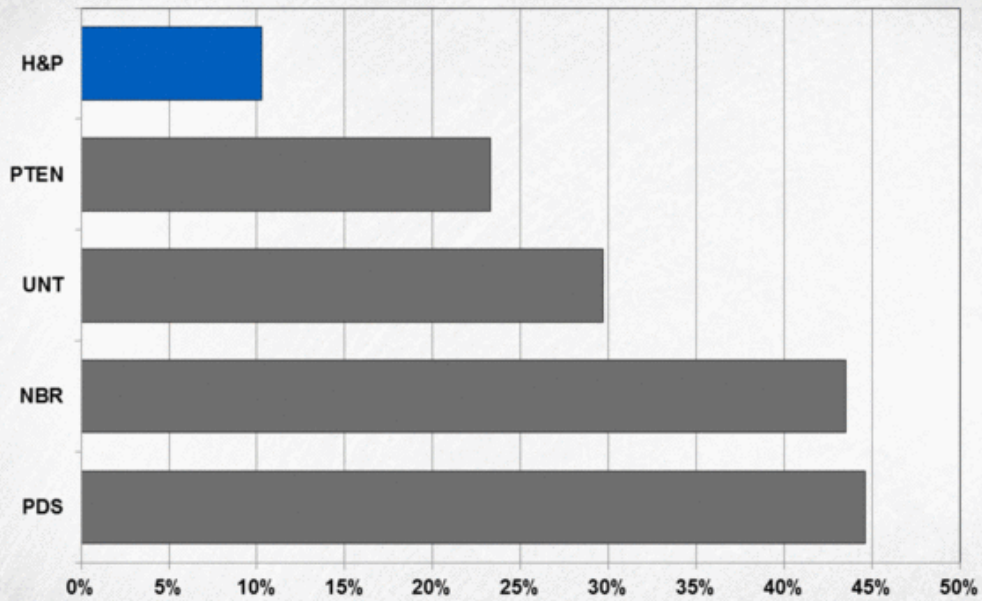
Very Strong Balance Sheet



H&P vs. Peers Credit Statistics

(As of March 31, 2015)

Total-Debt-to-Total-Capitalization Ratio¹



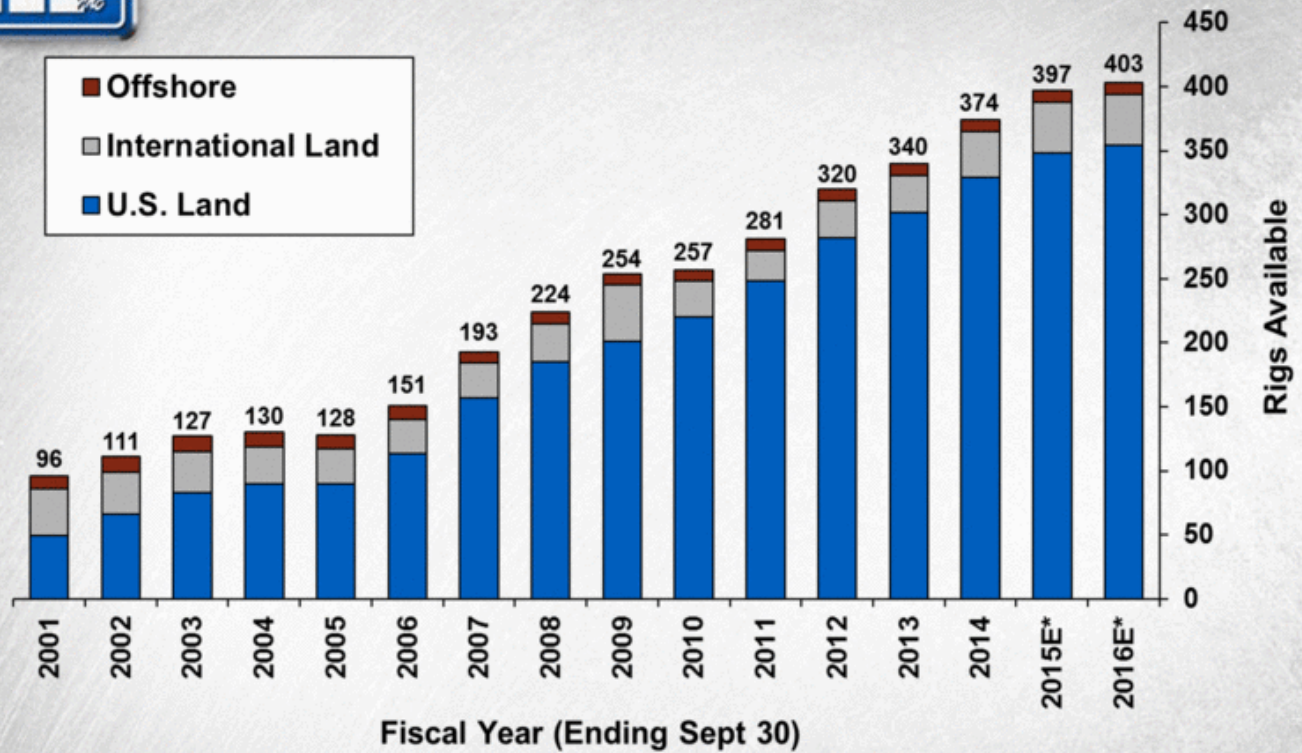
1. Total Capitalization is defined as Total Debt plus Shareholders' Equity.

Source: Company Filings

Very Strong Balance Sheet



H&P's Global Rig Fleet

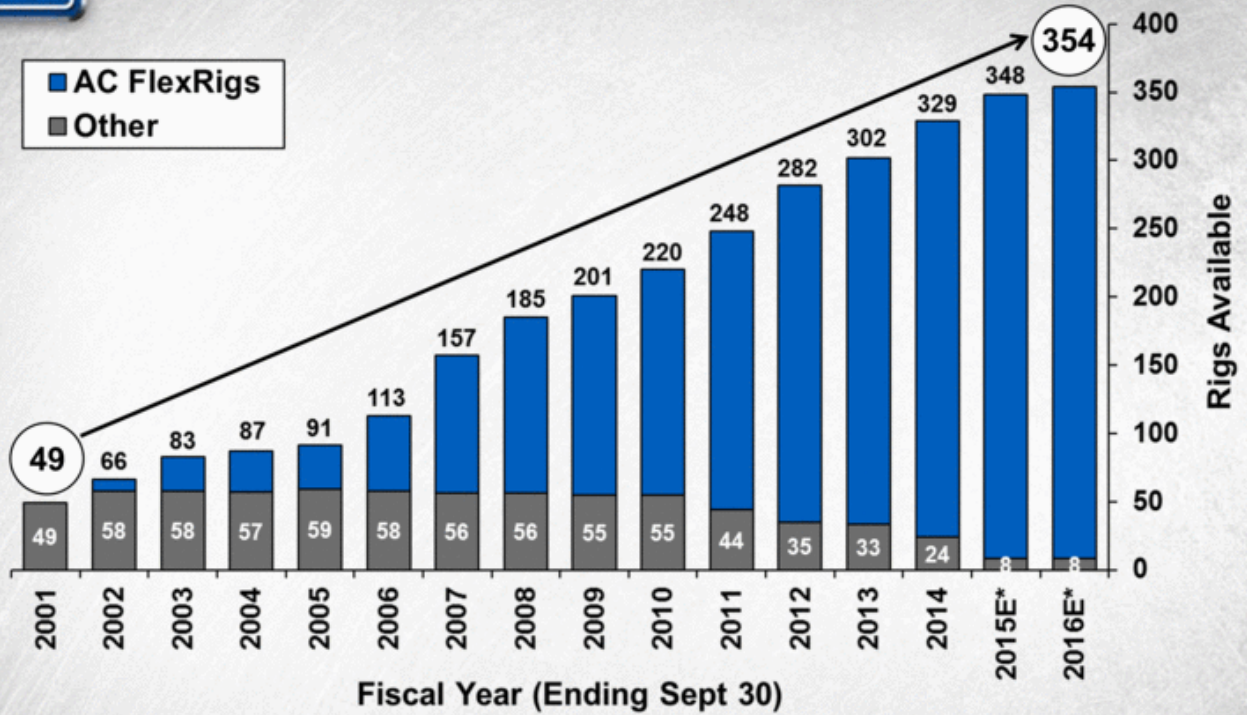


* Estimates include existing rigs and new build commitments as of June 19, 2015 and exclude nine conventional rigs decommissioned at the end of fiscal 2014 and 17 SCR powered FlexRigs decommissioned at the end of 2Q fiscal 2015.

Focus on Organic Growth



Organic U.S. Land Fleet Growth



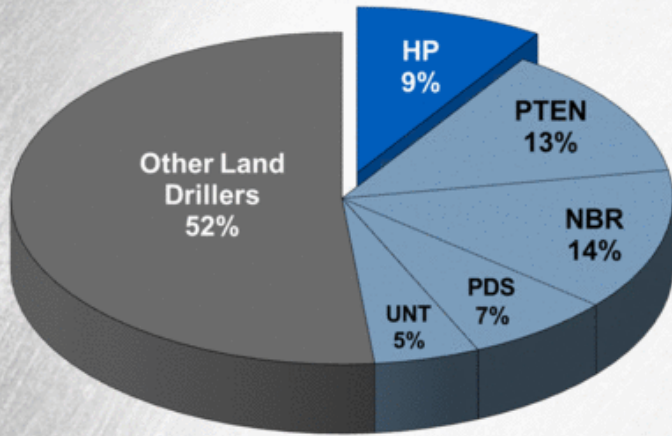
* Estimates include existing rigs and announced new build commitments.

Focus on Organic Growth

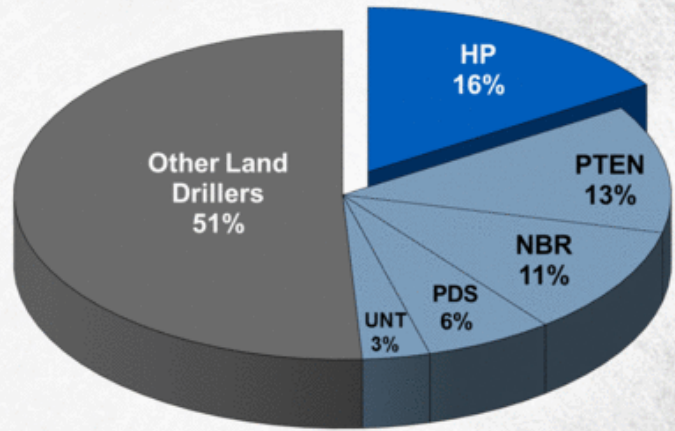


H&P's U.S. Land Market Share

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



As of June 2015
(~815 Active Rigs in U.S. Land)



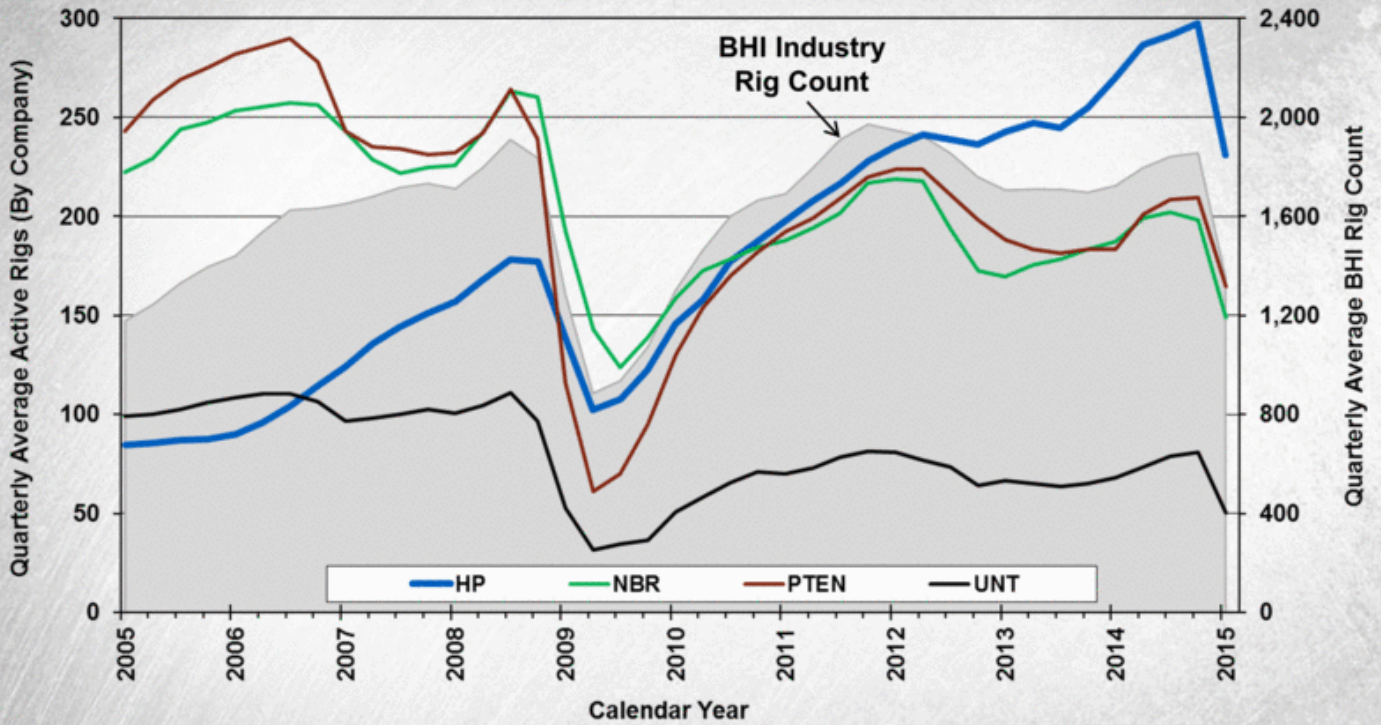
Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.

Market Leader



U.S. Land Active Rig Count

Through First Quarter of Calendar 2015

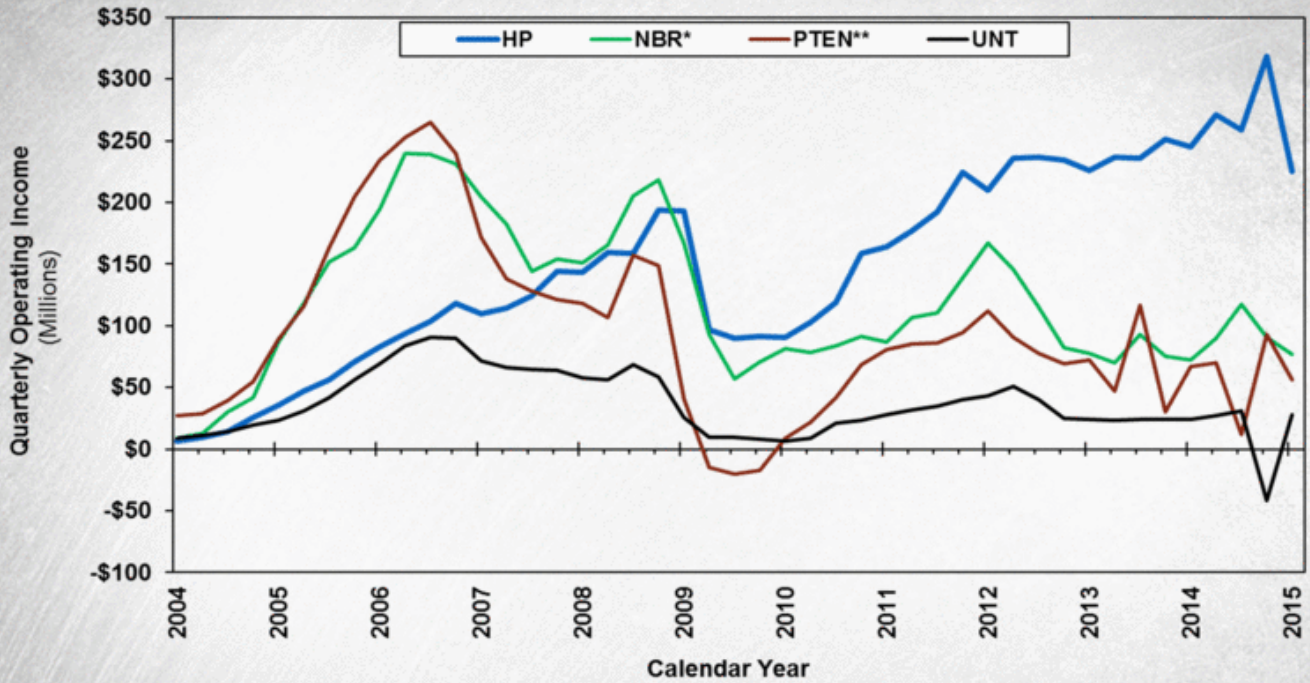


Market Leader



Ten Year Profit Comparison

U.S. Land Drilling Operating Income



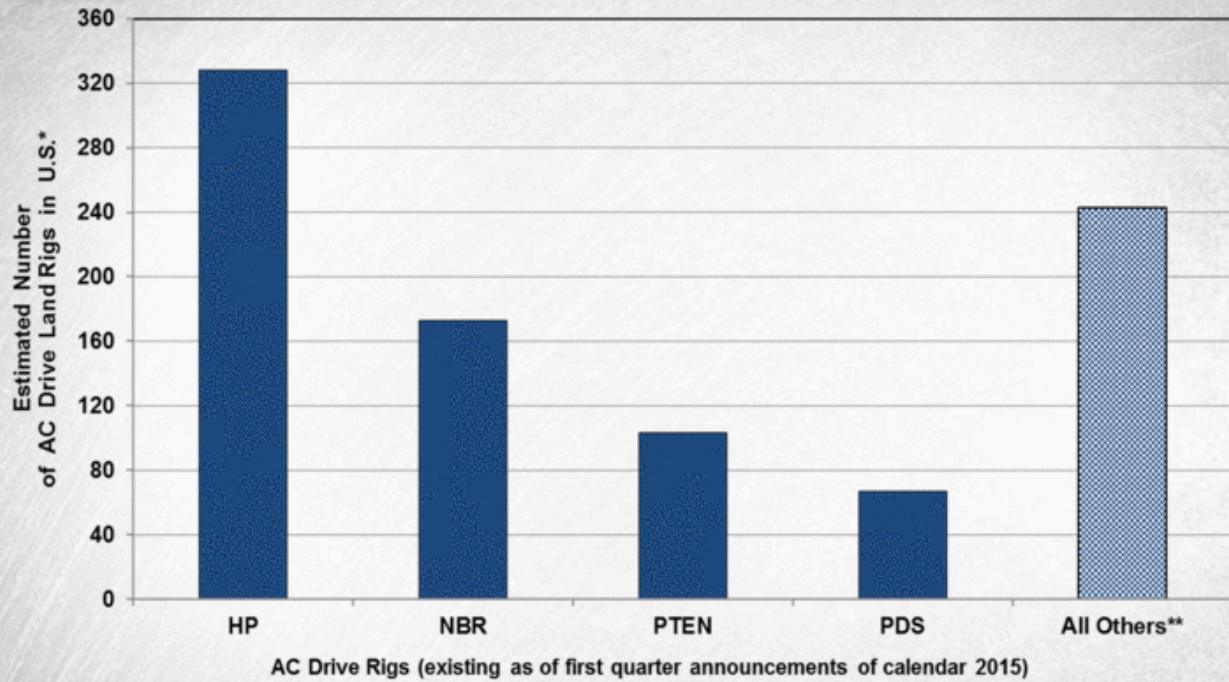
* NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore, and Alaska business units.

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

Market Leader



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



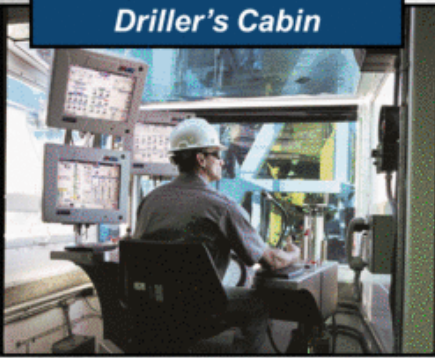
* The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

Most Advanced Fleet

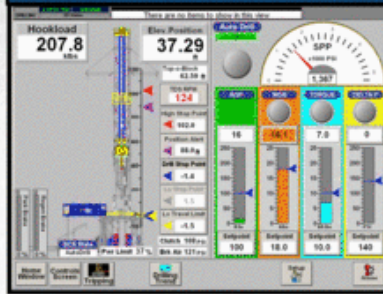


Innovation & Applied Technology – FlexRig®

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



BOP Handling



Mechanized Tubular Handling



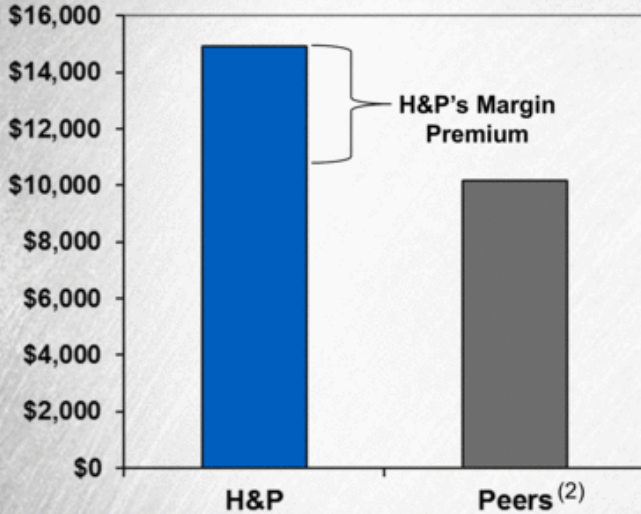
Rig Move Capabilities



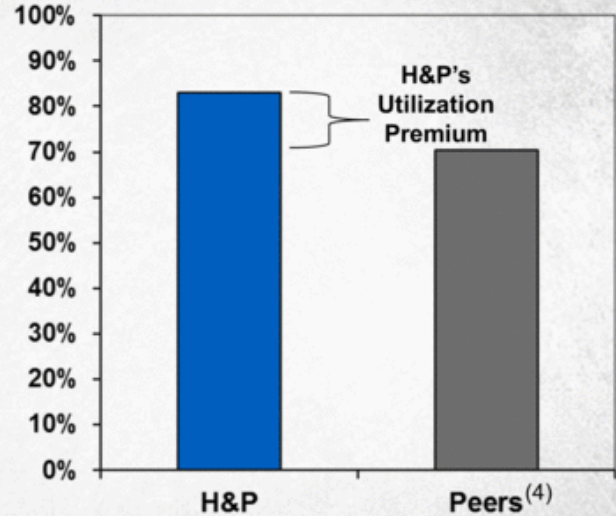


Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day⁽¹⁾
(12 Months Ended March 31, 2015)



Estimated U.S. Land Rig Utilization⁽³⁾
(12 Months Ended March 31, 2015)



(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:

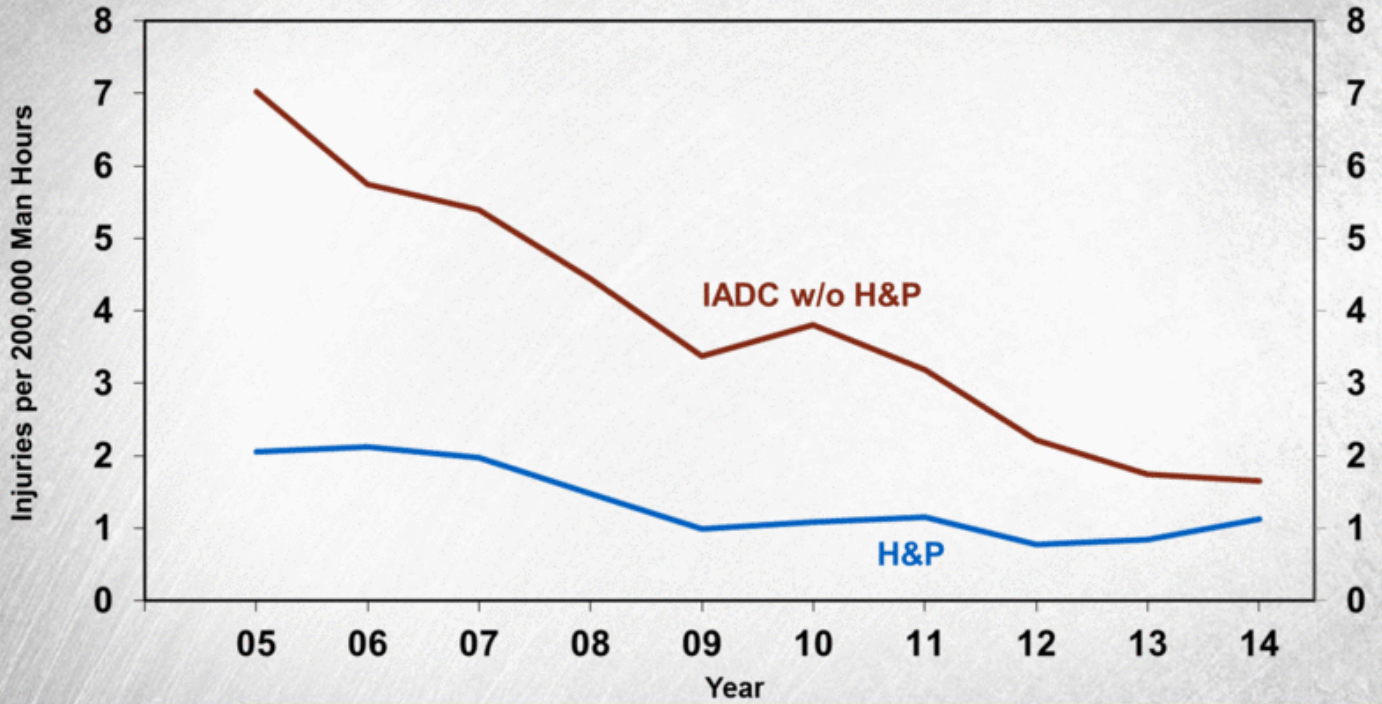
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





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

U.S. Land Safety Performance (2005 – 2014)
OSHA Recordable Injury Incidence Rates



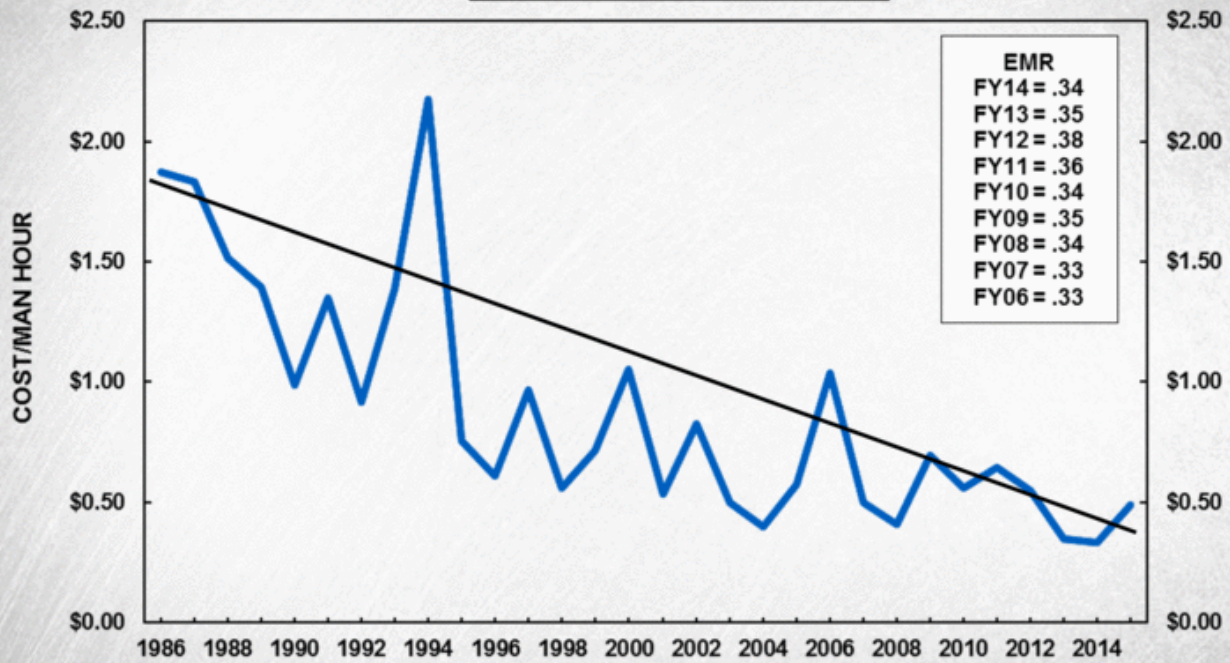
Best-in-Class Safety



Safety Excellence Also Generates Savings

Reduced Workers Comp and General Liability Losses per Man Hour

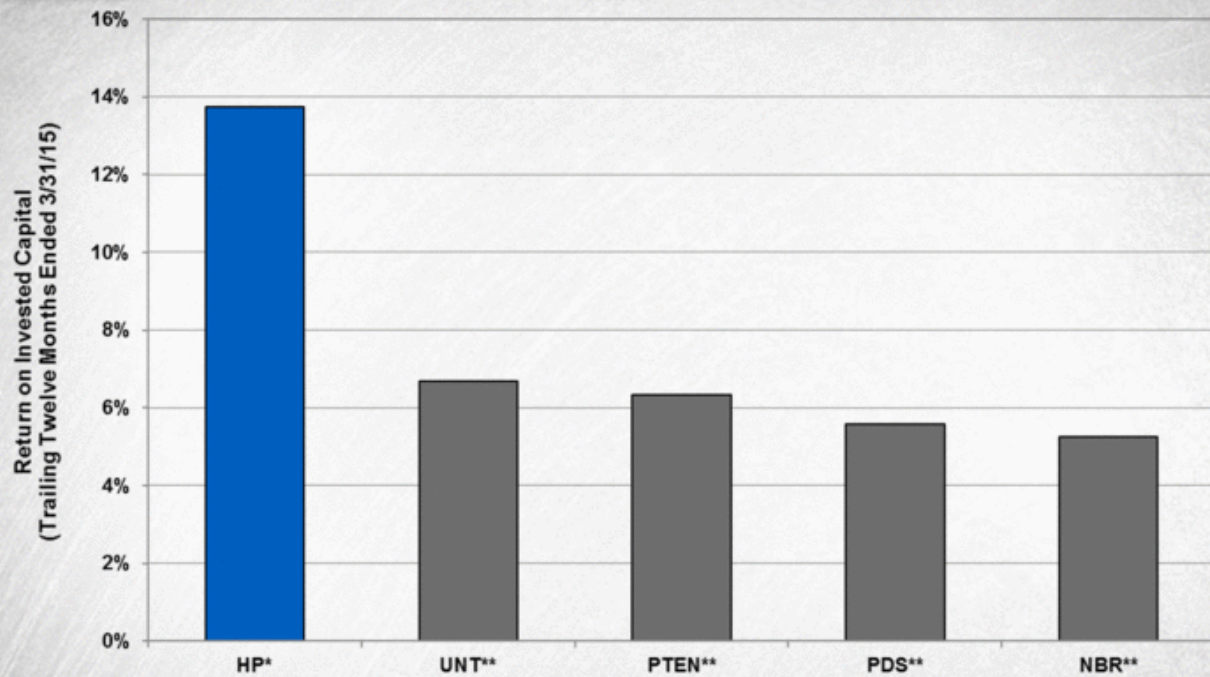
Actual Cost Per Man Hour Worked
U.S. Land & Offshore Operations



Best-in-Class Safety



Return on Invested Capital (ROIC)



* Excludes gains from the sale of investment securities and abandonment (non-cash) charges in 4QFY14 and 2QFY15.

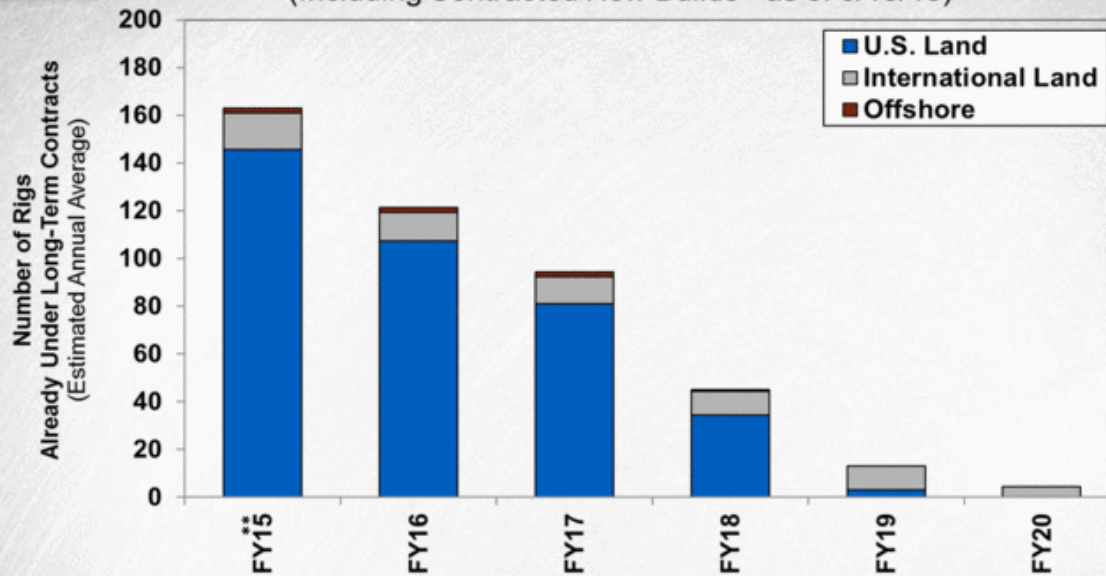
** The corresponding ROIC values for the selected companies exclude certain extraordinary, non-recurring charges.

Superior ROIC and ROE



H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet*
(Including Contracted New Builds - as of 6/19/15)



* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 6/19/15. During the first and second fiscal quarters the Company generated approximately \$23 and \$72 million in revenues corresponding to long-term contract early terminations, respectively. Given notifications as of 6/19/15, the Company expects to generate over \$85 million during the third fiscal quarter and over \$40 million after that from additional early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new build deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase. Mutually beneficial renegotiations of some long-term contracts for active rigs are expected to extend the timing of those contracts beyond what is reflected above.

** Fiscal 2015 contract coverage includes a total of 194.3 and 175.2 rigs that operated under term contracts during Q1 and Q2 of FY15, respectively.

Strong Backlog

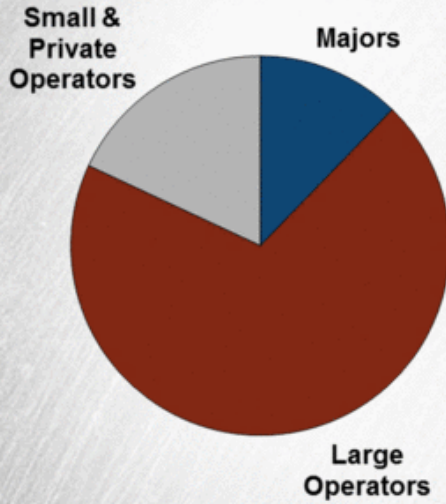


H&P vs. Industry U.S. Land Customer Base

H&P

U.S. Land Activity

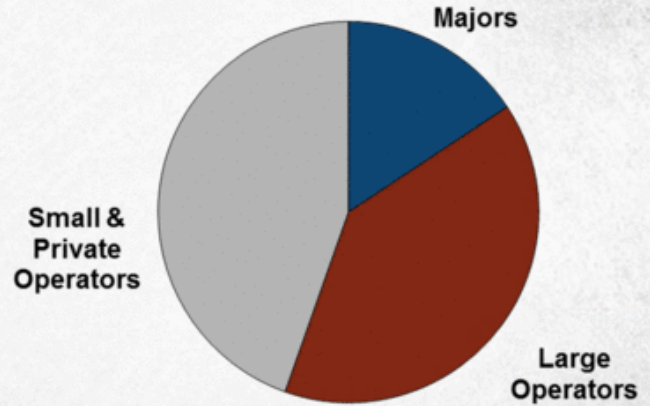
Estimated Customer Distribution
(June 2015)



Industry

U.S. Land Activity

Estimated Customer Distribution
(June 2015)



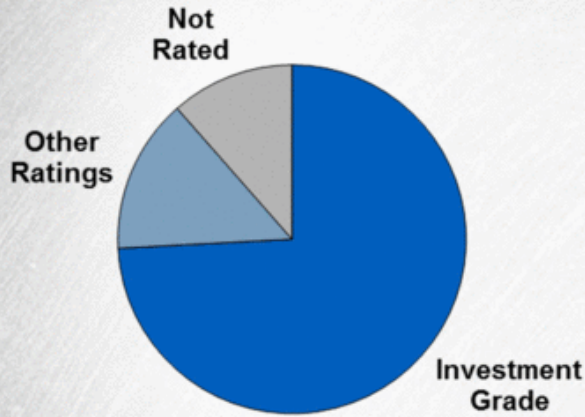
Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.

High Quality Customer Base

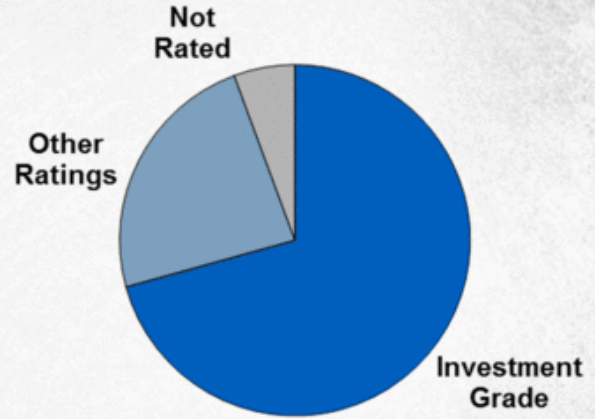


H&P Customer Credit Ratings

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



Number of Contracted Rig-Years**
(\$3.9 Billion H&P Backlog)



* As of March 31, 2015. Consists of 179 contracted U.S. Land rigs, 8 contracted Offshore rigs, and 22 contracted International Land rigs. Includes approximately 54 customers with active/contracted H&P rigs.

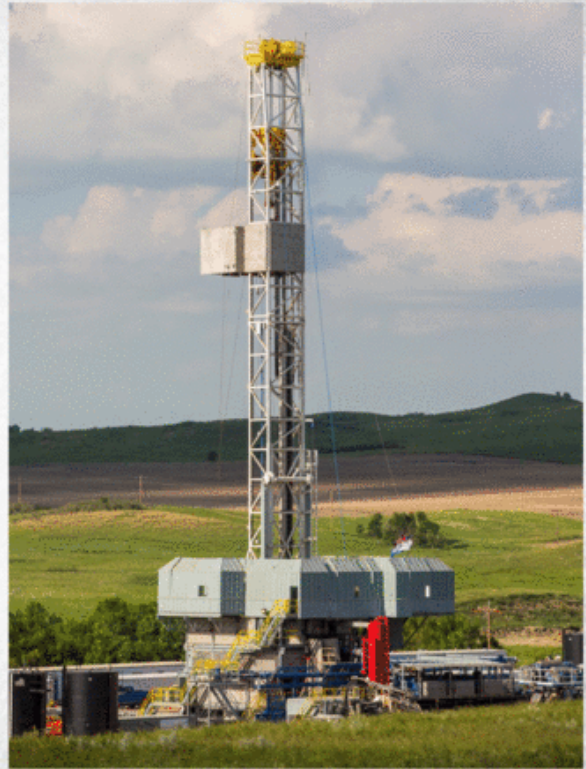
** The figures above represent H&P's customer commitments for term contract work at the beginning of the third fiscal quarter (April 1, 2015). The value of the H&P backlog is expected to continue to decline during the third fiscal quarter as the Company earns the corresponding income during the quarter through operations or through early contract termination fees.

High Quality Customer Base



Underlying U.S. Land Market Trends

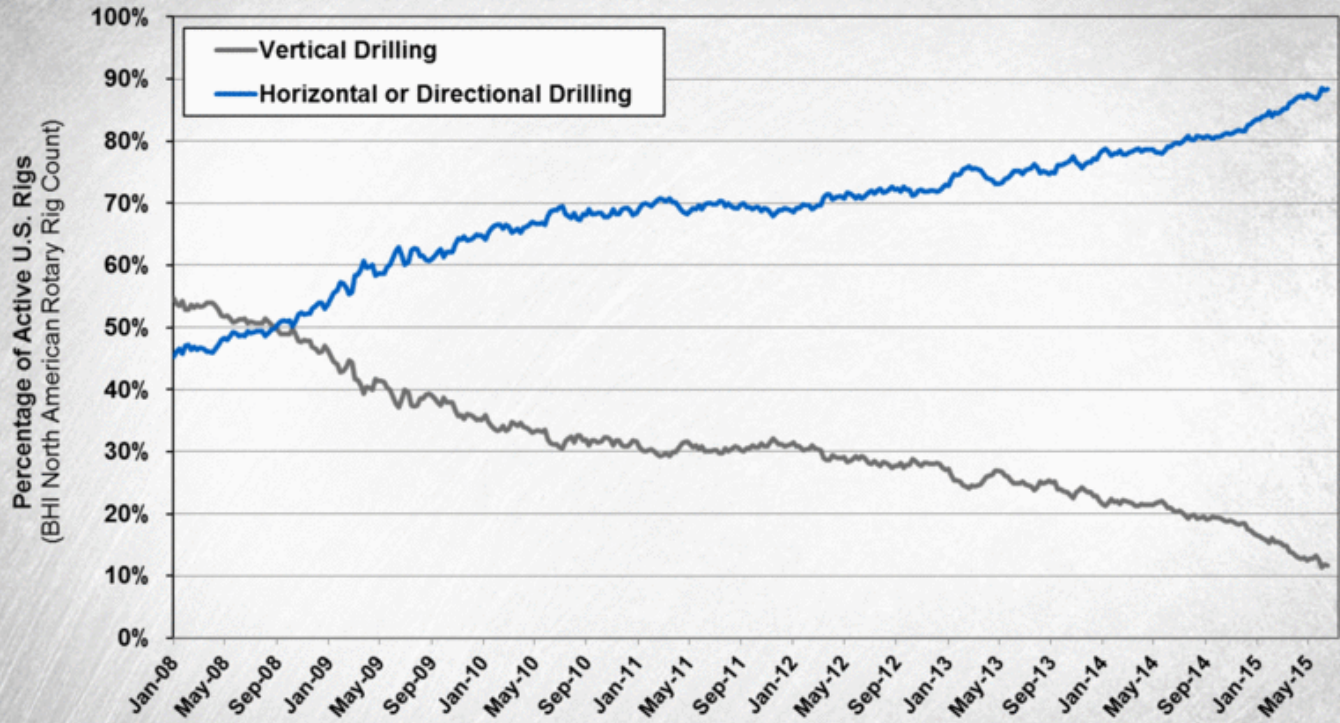
- Unconventional plays continue to shape the landscape.
- AC drive rigs are best suited for more complex horizontal drilling.
- Multiple wells being drilled from a single pad.
- Customers continue to focus on drilling efficiency, technology and safety.
- The replacement cycle is expected to continue.





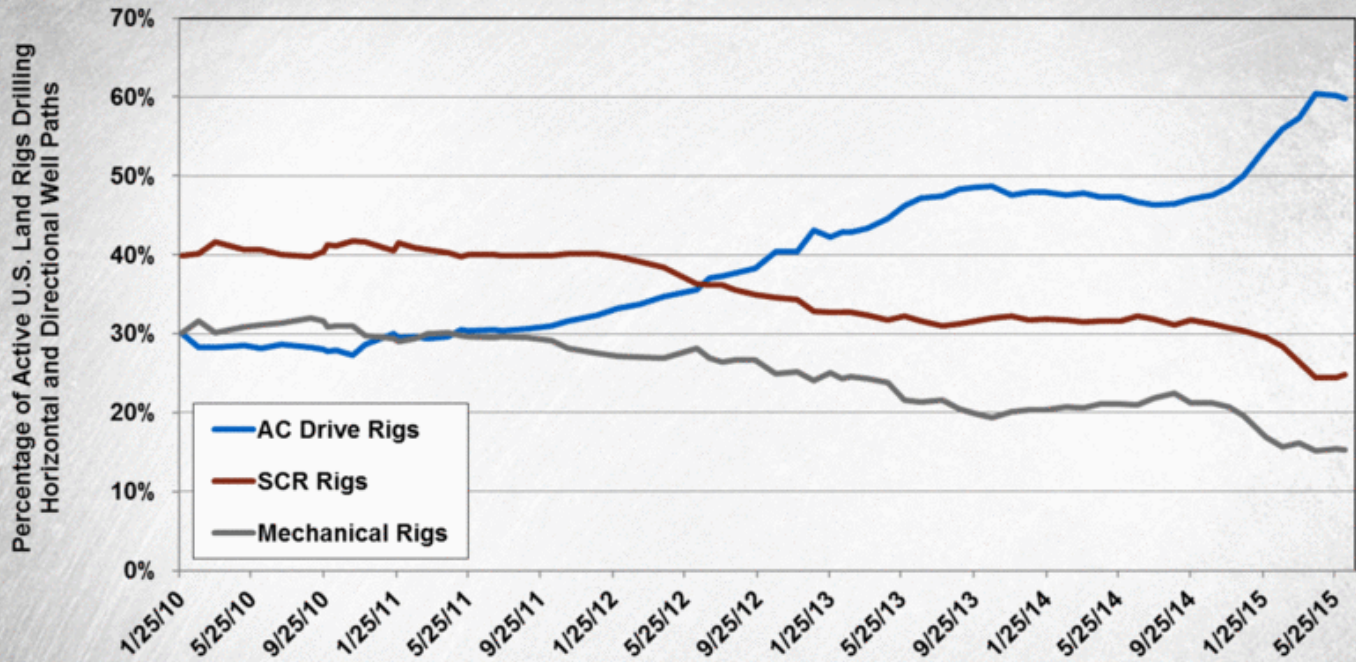
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





U.S. Land Horizontal and Directional Activity



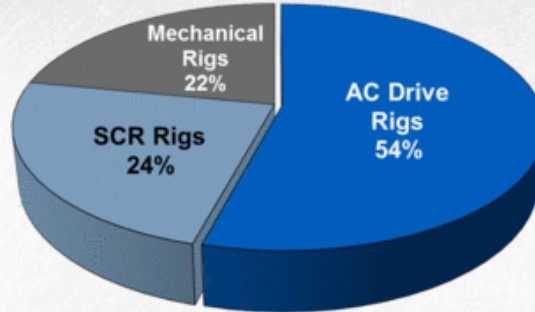
Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.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



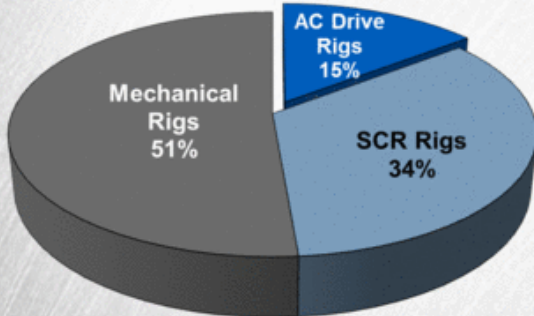


The Replacement Cycle Continues

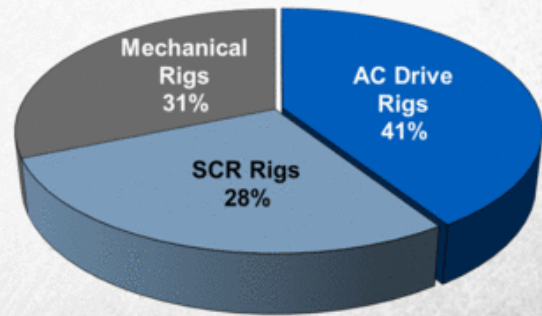
As of June 2015
(~815 Active Rigs in U.S. Land By Power Type)



As of October 2008 (Peak)
(~1,925 Active Rigs in U.S. Land By Power Type)



As of October 2014 (Peak)
(~1,930 Active Rigs in U.S. Land By Power Type)



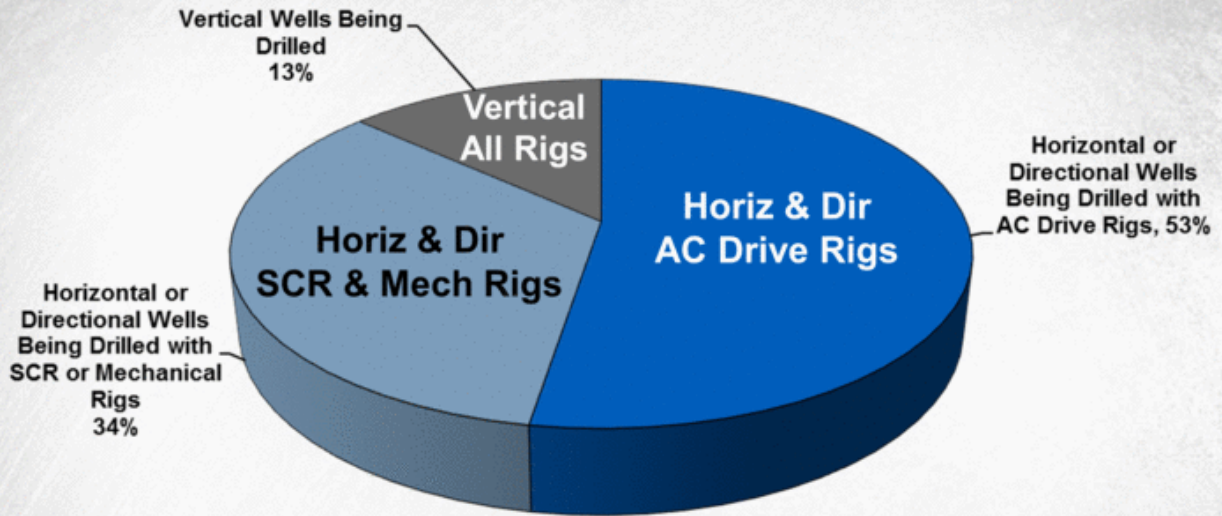
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made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





U.S. Activity by Well and Rig Type

~815 Active U.S. Land Rigs (June 2015)



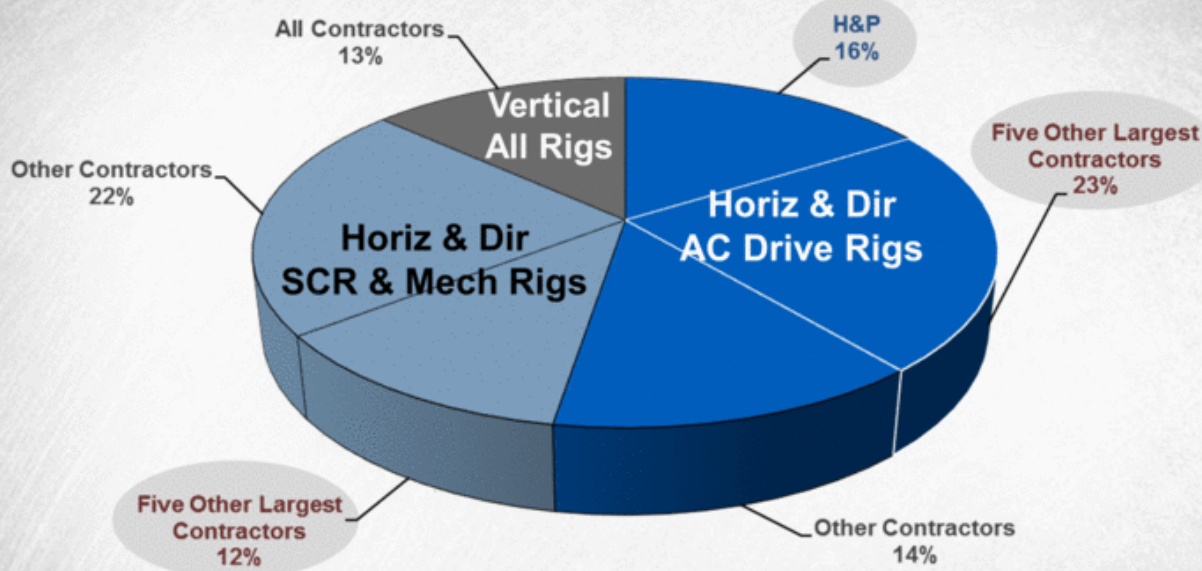
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions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





U.S. Activity by Well and Rig Type

~815 Active U.S. Land Rigs (June 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 in relation to the power systems on certain unidentified rigs. The reference to "Five Other Largest Contractors" includes NBR, PTEN, PDS, SSE and UNT.

Leading Replacement Cycle



New Build FlexRigs

- 40 new FlexRigs are scheduled to be completed 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 two FlexRigs per month through September 2015 and reducing the cadence to one FlexRig per month in October 2015 through March 2016
- Some of the new build deliveries may be delayed in exchange for compensation from customers





H&P's Long Term Strategy

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





Additional References





H&P Activity as of June 19, 2015

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	340	153	45%
AC Drive FlexRigs	332 ⁽¹⁾	152 ⁽²⁾	46%
SCR Fleet	8	1	13%
Offshore	9	7	78%
International Land	<u>40</u>	<u>19</u>	<u>48%</u>
Total	389	179	46%
FlexRig Construction ⁽³⁾	14		
Total Fleet	403		

(1) ~54% is pad-capable.

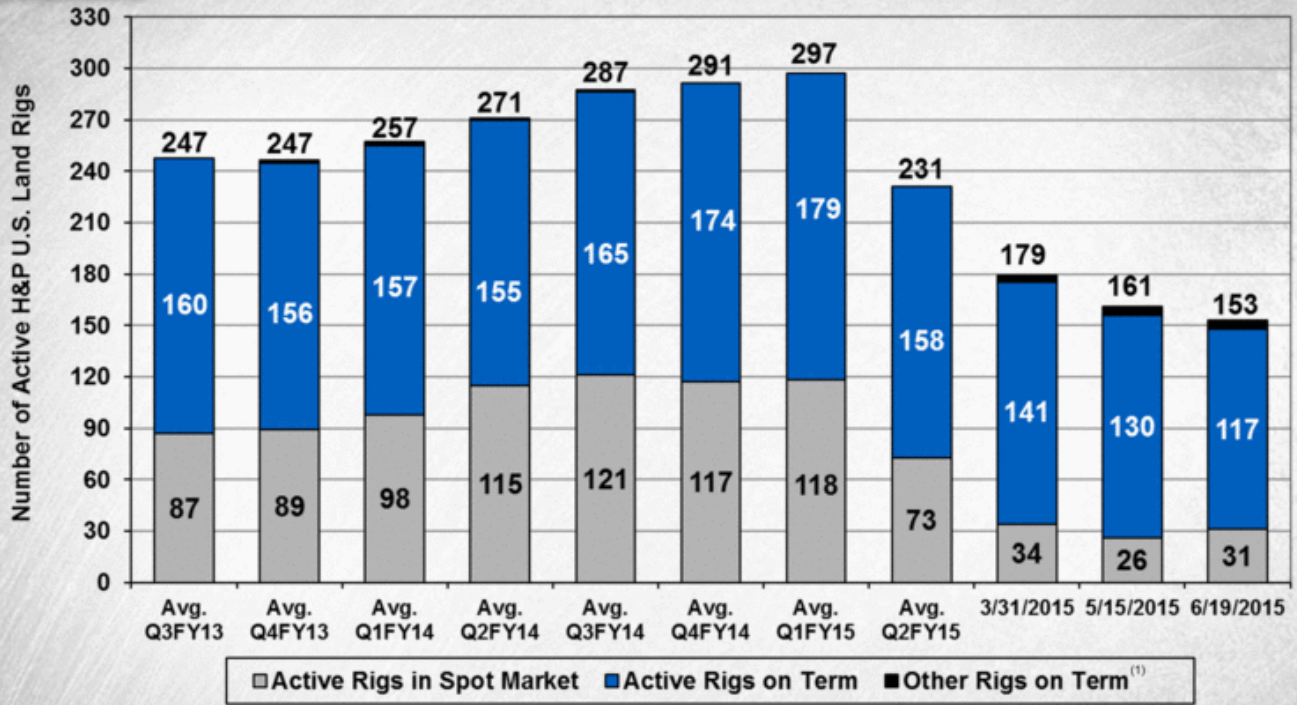
(2) ~65% is pad-capable.

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





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



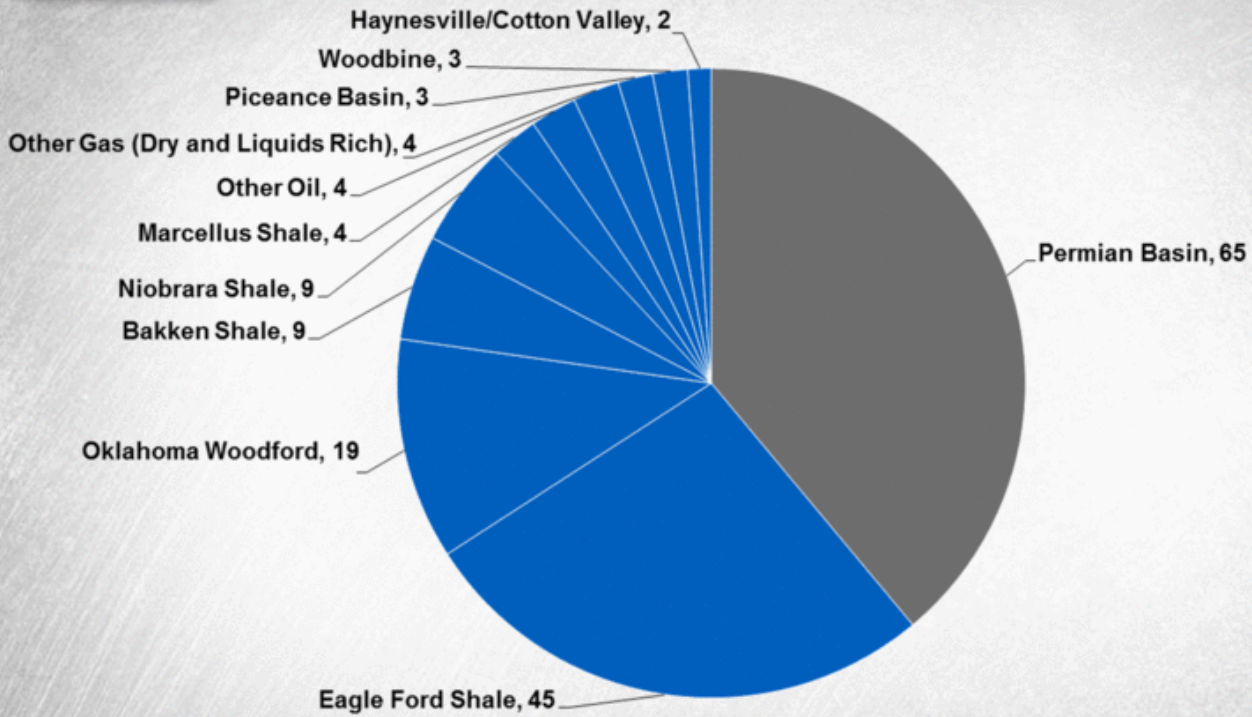
(1) Includes completed new builds pending delivery and not generating revenue days.





Leading U.S. Unconventional Driller

(167 H&P Contracted Land Rigs as of 6/19/15*)



* Includes 14 announced new FlexRigs with customer commitments scheduled for delivery in calendar 2015 and first half calendar 2016.





H&P's International Land Operations

Rig Fleet Status (as of June 19, 2015)

	Active	Idle	Total	Long-term Contracts ⁽¹⁾
Argentina	12	7	19	10
Bahrain	1	2	3	1
Colombia	2	6	8	1
Ecuador	2	4	6	
Tunisia		2	2	
U.A.E.	2		2	
Total	19	21	40	12 ⁽²⁾

(1) Rigs on term contract that have greater than or equal to 180 days remaining.

(2) 11 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 6/19/15)

Segment	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17
U.S. Land	129.0	118.2	113.0	109.9	105.5	100.5	93.8
International Land	16.1	15.4	12.2	12.0	12.0	12.0	12.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	147.1	135.6	127.2	123.9	119.5	114.5	107.8

* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 6/19/15. During the first and second fiscal quarters the Company generated approximately \$23 and \$72 million in revenues corresponding to long-term contract early terminations, respectively. Given notifications as of 6/19/15, the Company expects to generate over \$85 million during the third fiscal quarter and over \$40 million after that from additional early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new build deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase. Mutually beneficial renegotiations of some long-term contracts for active rigs are expected to extend the timing of those contracts beyond what is reflected above.



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



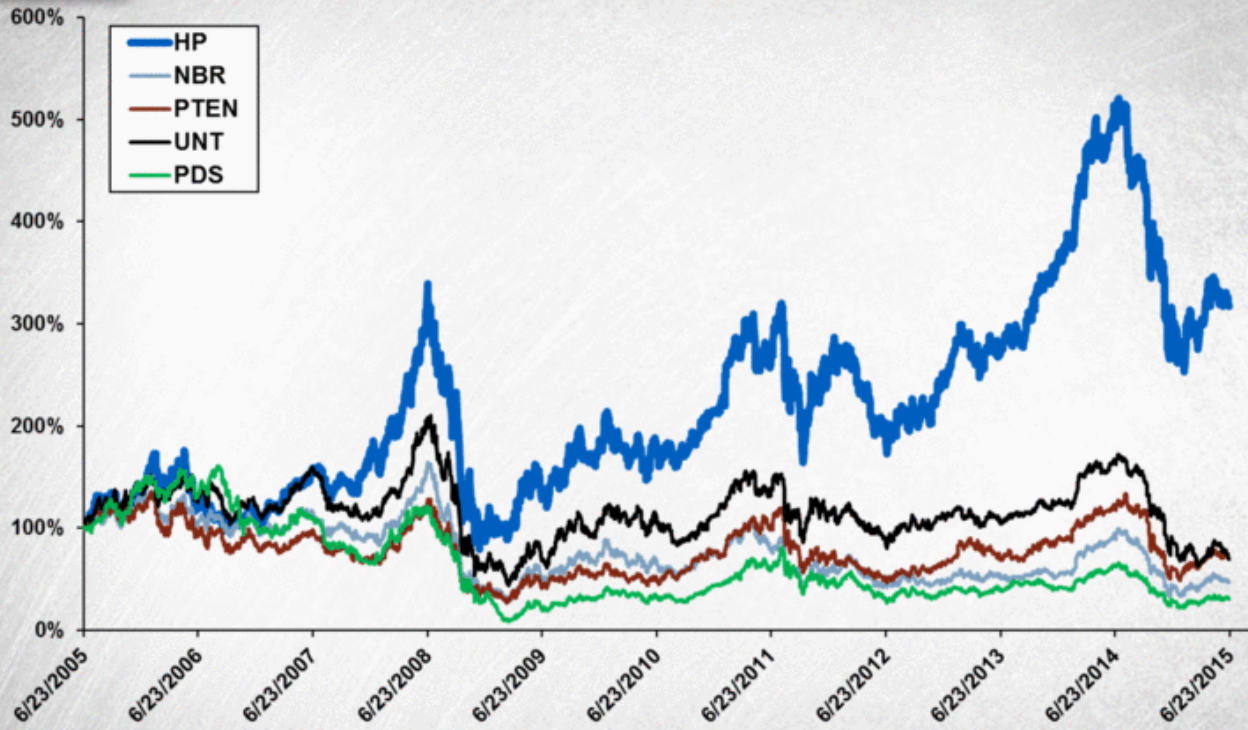
The Value Proposition: The Power of Efficiency

	Theoretical Base Case	20% Efficiency Improvement	40% Efficiency Improvement
1. Drilling days average	13.5	10.8	8.1
Other days average	5.0	4.0	3.0
Moving days average (several multi-well pads)	1.5	1.2	0.9
Total rig days per well	20.0	16.0	12.0
Efficiency (Reduced Well Cycle Time)	-	20%	40%
2. Drilling contractor dayrate	\$15,000	\$20,000	\$25,000
Operator's other intangible cost per day estimate	\$35,000	\$35,000	\$35,000
Total daily cost estimate	\$50,000	\$55,000	\$60,000
Total cost per well (daily services)	\$1,000,000	\$880,000	\$720,000
3. Total well savings for customer – per well		\$120,000	\$280,000
per year		(12% Savings) \$2.74 MM	(28% Savings) \$8.52 MM
4. Incremental number of wells per rig per year		4.6 wells	12.2 wells





Ten-Year Relative Shareholder Return

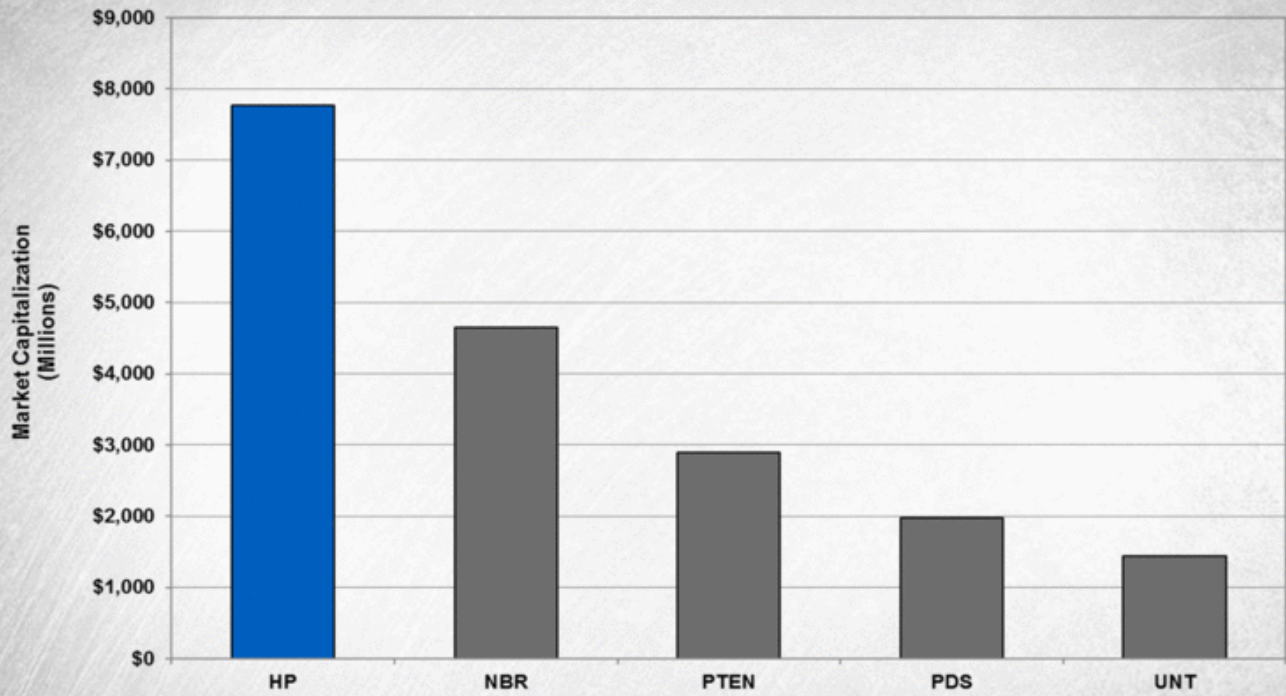


Source: Thomson Reuters as of June 19, 2015.





Land Drilling Market Valuations

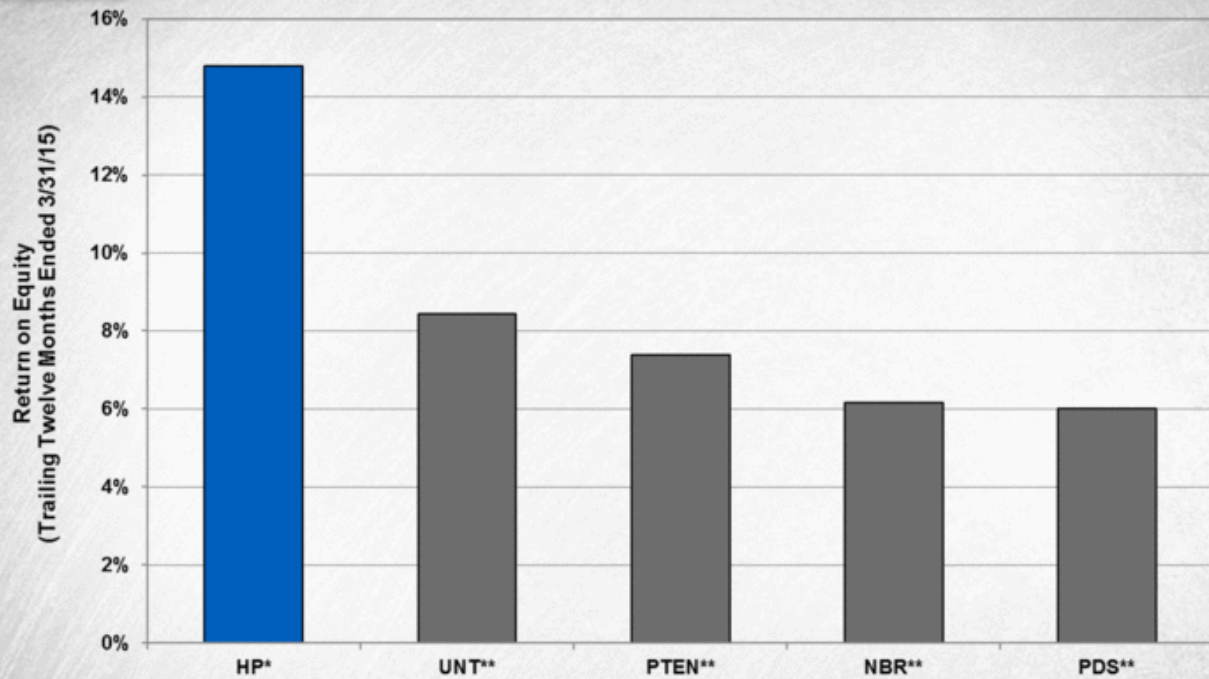


Source: Thomson Reuters as of June 19, 2015.





Return on Equity



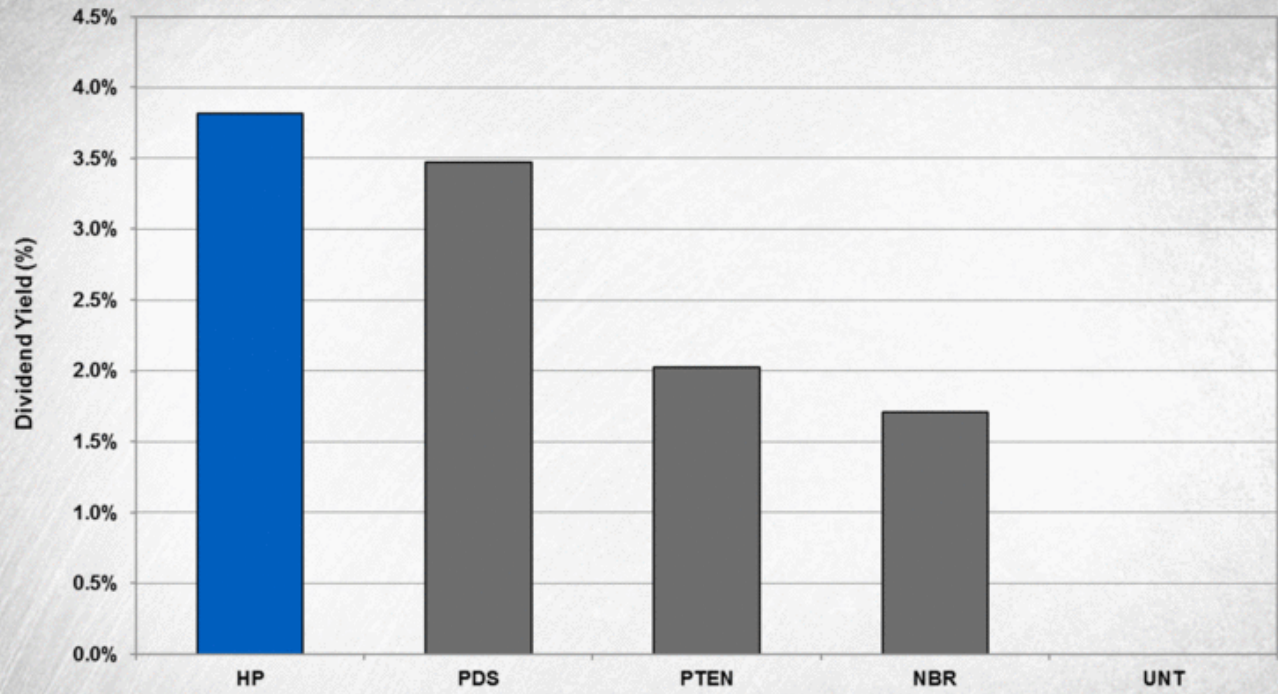
* Excludes gains from the sale of investment securities and abandonment (non-cash) charges in 4QFY14 and 2QFY15.

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

Superior ROIC and ROE



Current Dividend Yields

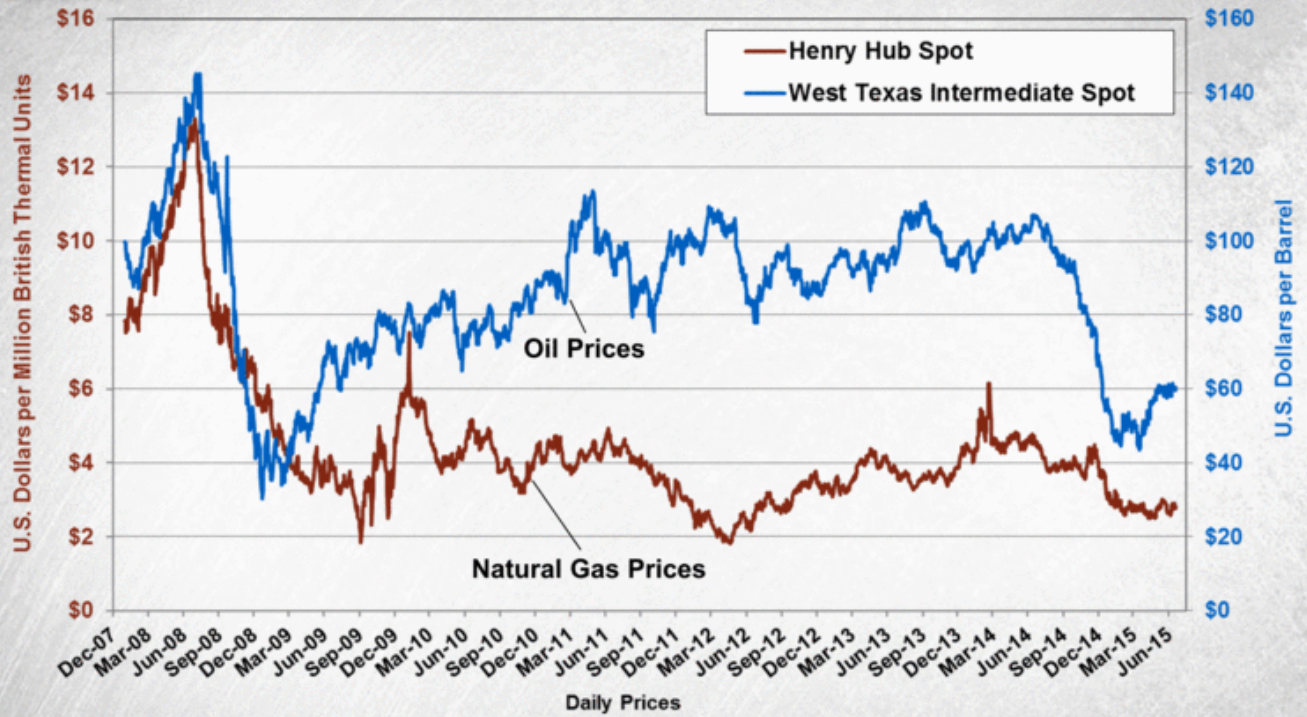


Source: Thomson Reuters. Yields calculated as of market close on June 19, 2015.





Oil and Natural Gas Prices

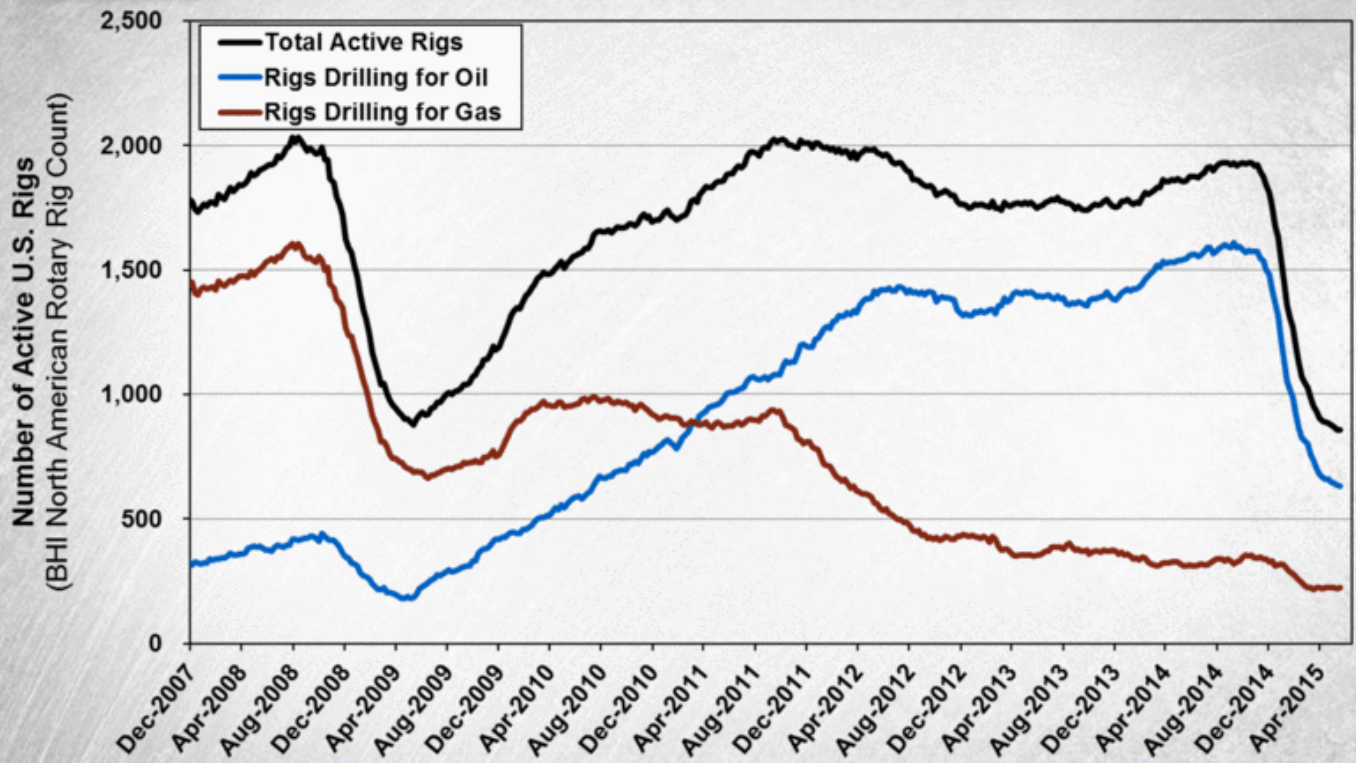


Source: Energy Information Administration and Thomson Reuters.





Oil vs. Natural Gas Directed Rig Count





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