

NABORS INDUSTRIES LTD
Form 10-Q
May 01, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2019

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of incorporation or organization)

98-0363970
(I.R.S. Employer Identification No.)

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

Bermuda

(Address of principal executive office)

(441) 292-1510

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of common shares, par value \$.001 per share, outstanding as of April 26, 2019 was 363,156,097, excluding 52,800,203 common shares held by our subsidiaries, or 415,956,300 in the aggregate.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2019	December 31, 2018
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 429,127	\$ 447,766
Short-term investments	40,590	34,036
Accounts receivable, net	743,528	756,320
Inventory, net	166,139	165,587
Assets held for sale	12,330	12,250
Other current assets	164,189	177,604
Total current assets	1,555,903	1,593,563
Property, plant and equipment, net	5,399,514	5,467,870
Goodwill	184,104	183,914
Deferred income taxes	344,531	345,091
Other long-term assets	289,632	263,506
Total assets (1)	\$ 7,773,684	\$ 7,853,944
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	\$ 850	\$ 561
Trade accounts payable	399,802	392,843
Accrued liabilities	298,059	417,912
Income taxes payable	26,100	20,761
Current lease liabilities	10,991	—
Total current liabilities	735,802	832,077
Long-term debt	3,677,580	3,585,884
Other long-term liabilities	280,591	274,485
Deferred income taxes	19,749	6,311
Total liabilities (1)	4,713,722	4,698,757
Commitments and contingencies (Note 7)		
Redeemable noncontrolling interest in subsidiary (Note 3)	409,923	404,861
Equity:		
Shareholders' equity:		
Preferred shares, par value \$0.001 per share:		
Series A 6% Cumulative Mandatory Convertible; \$50 per share liquidation preference; issued 5,750	6	6
Common shares, par value \$0.001 per share:		
Authorized common shares 800,000; issued 415,916 and 409,652, respectively	416	410
Capital in excess of par value	3,400,110	3,392,937

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Accumulated other comprehensive income (loss)	(19,987)	(29,325)
Retained earnings	519,810	650,842
Less: treasury shares, at cost, 52,800 and 52,800 common shares, respectively	(1,314,020)	(1,314,020)
Total shareholders' equity	2,586,335	2,700,850
Noncontrolling interest	63,704	49,476
Total equity	2,650,039	2,750,326
Total liabilities and equity	\$ 7,773,684	\$ 7,853,944

(1) The condensed consolidated balance sheet as of March 31, 2019 and December 31, 2018 include assets and liabilities of variable interest entities. See Note 3—Joint Ventures for additional information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

Three Months Ended
March 31,
2019 2018
(In thousands, except per share
amounts)

Revenues and other income:		
Operating revenues	\$ 799,640	\$ 734,194
Earnings (losses) from unconsolidated affiliates	(5)	2
Investment income (loss)	9,677	465
Total revenues and other income	809,312	734,661
Costs and other deductions:		
Direct costs	520,957	475,403
General and administrative expenses	68,167	74,571
Research and engineering	13,520	15,806
Depreciation and amortization	210,391	213,448
Interest expense	52,352	61,386
Other, net	17,502	14,089
Total costs and other deductions	882,889	854,703
Income (loss) from continuing operations before income taxes	(73,577)	(120,042)
Income tax expense (benefit):		
Current	15,862	8,771
Deferred	13,937	14,774
Total income tax expense (benefit)	29,799	23,545
Income (loss) from continuing operations, net of tax	(103,376)	(143,587)
Income (loss) from discontinued operations, net of tax	(157)	(75)
Net income (loss)	(103,533)	(143,662)
Less: Net (income) loss attributable to noncontrolling interest	(14,176)	(539)
Net income (loss) attributable to Nabors	(117,709)	(144,201)
Less: Preferred stock dividend	(4,313)	—
Net income (loss) attributable to Nabors common shareholders	\$ (122,022)	\$ (144,201)
Amounts attributable to Nabors common shareholders:		
Net income (loss) from continuing operations	\$ (121,865)	\$ (144,126)
Net income (loss) from discontinued operations	(157)	(75)
Net income (loss) attributable to Nabors common shareholders	\$ (122,022)	\$ (144,201)
Earnings (losses) per share:		
Basic from continuing operations	\$ (0.36)	\$ (0.46)
Basic from discontinued operations	—	—

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Total Basic	\$ (0.36)	\$ (0.46)
Diluted from continuing operations	\$ (0.36)	\$ (0.46)
Diluted from discontinued operations	—	—
Total Diluted	\$ (0.36)	\$ (0.46)
Weighted-average number of common shares outstanding:		
Basic	350,764	308,788
Diluted	350,764	308,788

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Net income (loss) attributable to Nabors	\$ (117,709)	\$ (144,201)
Other comprehensive income (loss), before tax:		
Translation adjustment attributable to Nabors	9,190	(9,343)
Pension liability amortization and adjustment	54	54
Unrealized gains (losses) and amortization on cash flow hedges	140	140
Adoption of ASU No. 2016-01	—	(9,144)
Other comprehensive income (loss), before tax	9,384	(18,293)
Income tax expense (benefit) related to items of other comprehensive income (loss)	46	43
Other comprehensive income (loss), net of tax	9,338	(18,336)
Comprehensive income (loss) attributable to Nabors	(108,371)	(162,537)
Net income (loss) attributable to noncontrolling interest	14,176	539
Translation adjustment attributable to noncontrolling interest	52	(96)
Comprehensive income (loss) attributable to noncontrolling interest	14,228	443
Comprehensive income (loss)	\$ (94,143)	\$ (162,094)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	March 31,	2018
	2019	2018
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ (103,533)	\$ (143,662)
Adjustments to net income (loss):		
Depreciation and amortization	210,397	214,008
Deferred income tax expense (benefit)	13,949	14,361
Impairments and other charges	82	—
Amortization of debt discount and deferred financing costs	7,730	7,302
Losses (gains) on debt buyback	(2,667)	—
Losses (gains) on long-lived assets, net	3,633	2,257
Losses (gains) on investments, net	(7,688)	723
Provision (recovery) of bad debt	(419)	(3,400)
Share-based compensation	8,424	8,628
Foreign currency transaction losses (gains), net	8,548	2,522
Noncontrolling interest	(14,176)	(540)
Other	212	166
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	14,914	(34,381)
Inventory	(685)	(7,835)
Other current assets	13,458	22,600
Other long-term assets	(23,907)	6,011
Trade accounts payable and accrued liabilities	(95,669)	(143,050)
Income taxes payable	6,107	836
Other long-term liabilities	31,144	(28,229)
Net cash (used for) provided by operating activities	69,854	(81,683)
Cash flows from investing activities:		
Purchases of investments	(4,221)	(676)
Sales and maturities of investments	1,134	1,148
Cash paid for acquisition of businesses, net of cash acquired	(2,929)	—
Capital expenditures	(141,070)	(94,026)
Proceeds from sales of assets and insurance claims	2,642	3,076
Net cash (used for) provided by investing activities	(144,444)	(90,478)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	800,000
Debt issuance costs	(35)	(12,928)
Proceeds from revolving credit facilities	180,000	615,000
Reduction in revolving credit facilities	(50,000)	(680,000)

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Reduction in long-term debt	(43,540)	(460,837)
Dividends to common and preferred shareholders	(25,765)	(17,148)
Proceeds from (payment for) commercial paper	—	(40,000)
Proceeds from (payments for) short-term borrowings	289	194
Other	(1,493)	(2,245)
Net cash provided by financing activities	59,456	202,036
Effect of exchange rate changes on cash and cash equivalents	(2,791)	(867)
Net increase (decrease) in cash and cash equivalents and restricted cash	(17,925)	29,008
Cash and cash equivalents and restricted cash, beginning of period	451,080	342,029
Cash and cash equivalents and restricted cash, end of period	\$ 433,155	\$ 371,037

RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents, beginning of period	447,766	336,997
Restricted cash, beginning of period	3,314	5,032
Cash and cash equivalents and restricted cash, beginning of period	\$ 451,080	\$ 342,029
Cash and cash equivalents, end of period	429,127	367,039
Restricted cash, end of period	4,028	3,998
Cash and cash equivalents and restricted cash, end of period	\$ 433,155	\$ 371,037

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Mandatory Convertible Preferred Shares	Par Value	Common Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non- controlling Interest	Total Equity
31,	—	\$ —	367,510	\$ 368	\$ 2,791,129	\$ 11,185	\$ 1,423,154	\$ (1,314,020)	\$ 26,957	\$ 2,945,603
o s	—	—	—	—	—	—	(144,201)	—	539	(143,662)
ive (s),	—	—	—	—	—	—	(19,050)	—	—	(19,050)
ares	—	—	—	—	—	(18,336)	—	—	(96)	(18,432)
net r of l ns f	—	—	—	—	8,628	—	—	—	—	8,628
f	—	—	—	—	—	—	9,144	—	—	9,144
on	—	—	—	—	—	—	(34,132)	—	—	(34,132)
ing	—	—	—	—	—	—	(2,399)	—	—	(2,399)

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	—	—	2,810	2	(1,864)	—	—	—	—	(
2018	—	\$ —	370,320	\$ 370	\$ 2,797,893	\$ (7,151)	\$ 1,232,516	\$ (1,314,020)	\$ 27,400	\$ 2
31,	5,750	\$ 6	409,652	\$ 410	\$ 3,392,937	\$ (29,325)	\$ 650,842	\$ (1,314,020)	\$ 49,476	\$ 2
o	—	—	—	—	—	—	(117,709)	—	14,176	(
s	—	—	—	—	—	—	(3,947)	—	—	(
o	—	—	—	—	—	—	(4,313)	—	—	(
s	—	—	—	—	—	—	—	—	—	(
ive	—	—	—	—	—	9,338	—	—	52	9
s),	—	—	—	—	8,424	—	—	—	—	8
l	—	—	—	—	—	—	—	—	—	—
on	—	—	—	—	—	—	—	—	—	—
on	—	—	—	—	—	—	—	—	—	—
ing	—	—	—	—	—	—	(5,063)	—	—	(
	—	—	6,264	6	(1,251)	—	—	—	—	(
2019	5,750	\$ 6	415,916	\$ 416	\$ 3,400,110	\$ (19,987)	\$ 519,810	\$ (1,314,020)	\$ 63,704	\$ 2

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Unless the context requires otherwise, references in this report to “we,” “us,” “our,” “the Company,” or “Nabors” mean Nabors Industries Ltd., together with our subsidiaries where the context requires. References in this report to “Nabors Delaware” mean Nabors Industries, Inc., a wholly owned subsidiary of Nabors.

Our business is comprised of our global land-based and offshore drilling rig operations and other rig related services and technologies, consisting of equipment manufacturing, rig instrumentation and optimization software. We also specialize in tubular services, wellbore placement solutions and are a leading provider of directional drilling and MWD systems and services

With operations in approximately 25 countries, we are a global provider of drilling and drilling-related services for land-based and offshore oil and natural gas wells, with a fleet of rigs and drilling-related equipment which, as of March 31, 2019 included:

- 378 actively marketed rigs for land-based drilling operations in the United States, Canada and approximately 18 other countries throughout the world; and
- 33 actively marketed rigs for offshore drilling operations in the United States and multiple international markets.

Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Nabors have been prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”). Pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), certain information and footnote disclosures normally

included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. Therefore, these financial statements should be read together with our annual report on Form 10-K for the year ended December 31, 2018 (“2018 Annual Report”). In management’s opinion, the unaudited condensed consolidated financial statements contain all adjustments necessary to state fairly our financial position as of March 31, 2019 and the results of operations, comprehensive income (loss), cash flows and changes in equity for the periods presented herein. Interim results for the three months ended March 31, 2019 may not be indicative of results that will be realized for the full year ending December 31, 2019.

Principles of Consolidation

Our condensed consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under U.S. GAAP. All significant intercompany accounts and transactions are eliminated in consolidation.

In addition to the consolidation of our majority owned subsidiaries, we also consolidate variable interest entities (“VIE”) when we are determined to be the primary beneficiary of a VIE. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our joint venture, SANAD, which is equally owned by Saudi Aramco and Nabors, has been consolidated. As we have the power to direct activities that most significantly impact SANAD’s economic performance, including operations, maintenance and certain sourcing and procurement, we have determined Nabors to be the primary beneficiary. See Note 3—Joint Ventures.

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Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or weighted-average cost methods and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
Raw materials	\$ 119,480	\$ 116,840
Work-in-progress	12,877	20,329
Finished goods	33,782	28,418
	\$ 166,139	\$ 165,587

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, relating to leases to increase transparency and comparability among companies. This standard requires that all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. Additionally, this standard requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. We adopted this guidance under the modified retrospective approach as of January 1, 2019. We preliminarily determined that our drilling contracts contained a lease component, and the adoption would require us to separately recognize revenue associated with the lease and services components. In July 2018, the FASB issued ASU No. 2018-11, which provides a practical expedient that allows entities to combine lease and non-lease components where the revenue recognition pattern is the same and where the lease component, when accounted for separately, would be considered an operating lease. Our drilling contracts contain a lease component related to the underlying drilling equipment, in addition to the service component provided by our crews and our expertise to operate such drilling equipment. We have determined that the non-lease service component of our drilling contracts is the predominant element of the combined component and will account for the combined components as a single performance obligation under Topic 606, Revenue from Contracts with Customers. We have elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. With respect to leases whereby we are the lessee, we recognized upon adoption on January 1, 2019 lease liabilities and offsetting "right of use" assets of approximately \$33.1 million based on the present value of the remaining minimum rental payments. See Note 12 — Leases.

Recent Accounting Pronouncements Not Yet Adopted

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. In addition, the standard requires certain disclosures regarding stranded tax effects. This guidance is effective for public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact this will have on our financial statements.

Note 3 Joint Ventures

During 2016, we entered into an agreement with Saudi Aramco to form a joint venture known as SANAD to own, manage and operate onshore drilling rigs in the Kingdom of Saudi Arabia. SANAD is equally owned by Saudi Aramco and Nabors.

During 2017, Nabors and Saudi Aramco each contributed \$20 million in cash for the purpose of capitalizing the joint venture upon formation. In addition, since inception Nabors and Saudi Aramco have each contributed a combination of drilling rigs, drilling rig equipment and other assets, including cash, each with a value of approximately \$394 million to the joint venture. The contributions were received in exchange for redeemable ownership interests which accrue interest annually, have a twenty-five year maturity and are required to be converted to authorized capital should certain events occur, including the accumulation of specified losses. In the accompanying condensed consolidated balance sheet, Nabors has reported Saudi Aramco's share of authorized capital as a component of noncontrolling interest

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in equity and Saudi Aramco's share of the redeemable ownership interests as redeemable noncontrolling interest in subsidiary, classified as mezzanine equity. The accrued interest on the redeemable ownership interest is a non-cash financing activity and is reported as an increase in the redeemable noncontrolling interest in subsidiary line in our condensed consolidated balance sheet.

The condensed balance sheet of SANAD, as included in our consolidated balance sheet, is presented below.

	March 31, 2019	December 31, 2018
	(In thousands)	
Assets:		
Cash and cash equivalents	\$ 242,476	\$ 211,618
Accounts receivable	66,311	73,699
Other current assets	15,548	17,198
Property, plant and equipment, net	445,092	457,963
Other long-term assets	17,728	36,583
Total assets	\$ 787,155	\$ 797,061
Liabilities:		
Accounts payable	\$ 61,787	\$ 60,087
Accrued liabilities	13,254	8,530
Total liabilities	\$ 75,041	\$ 68,617

The assets of SANAD cannot be used by Nabors for general corporate purposes. Additionally, creditors of SANAD do not have recourse to other assets of Nabors.

Note 4 Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best information available. Accordingly, we employ valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The use of unobservable inputs is intended to allow for fair value determinations in situations where there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances utilizing a fair value hierarchy based on the observability of those inputs. Under the fair value hierarchy:

- Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market;
- Level 2 measurements include quoted market prices for identical assets or liabilities in an active market that have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets; and
- Level 3 measurements include those that are unobservable and of a subjective nature.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2019 and December 31, 2018. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. There were no transfers of our financial assets between Level 1 and Level 2 measures during the three months ended March 31, 2019. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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	Fair Value as of March 31, 2019		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Short-term investments:			
Equity securities	\$ 39,556	\$ 1,026	\$ —
Mortgage-CMO debt securities	—	8	—
Total short-term investments	\$ 39,556	\$ 1,034	\$ —

	Fair Value as of December 31, 2018		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Short-term investments:			
Equity securities	\$ 33,250	\$ 778	\$ —
Mortgage-CMO debt securities	—	8	—
Total short-term investments	\$ 33,250	\$ 786	\$ —

Nonrecurring Fair Value Measurements

We applied fair value measurements to our nonfinancial assets and liabilities measured on a nonrecurring basis, which consist of measurements primarily to assets held for sale, goodwill, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination and our pipeline contractual commitment. Based upon our review of the fair value hierarchy, the inputs used in these fair value measurements were considered Level 3 inputs.

Fair Value of Financial Instruments

We estimate the fair value of our financial instruments in accordance with U.S. GAAP. The fair value of our long-term debt, revolving credit facility and commercial paper is estimated based on quoted market prices or prices quoted from third-party financial institutions. The fair value of our debt instruments is determined using Level 2 measurements. The carrying and fair values of these liabilities were as follows:

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	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
5.00% senior notes due September 2020	\$ 614,825	\$ 621,982	\$ 614,748	\$ 590,336
4.625% senior notes due September 2021	637,408	629,765	668,347	603,457
5.50% senior notes due January 2023	577,042	554,024	586,000	465,999
5.10% senior notes due September 2023	336,714	308,693	342,923	262,494
0.75% senior exchangeable notes due January 2024	456,077	410,257	450,689	358,012
5.75% senior notes due February 2025	791,502	711,093	791,502	598,953
2012 Revolving credit facility	300,000	300,000	170,000	170,000
2018 Revolving credit facility	—	—	—	—
Other	850	850	561	561
	3,714,418	\$ 3,536,664	3,624,770	\$ 3,049,812
Less: current portion	850		561	
Less: deferred financing costs	35,988		38,325	
	\$ 3,677,580		\$ 3,585,884	

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

As of March 31, 2019 and December 31, 2018, our short-term investments were carried at fair market value and included \$40.6 million and \$34.0 million, respectively.

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Note 5 Debt

Debt consisted of the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
5.00% senior notes due September 2020	\$ 614,825	\$ 614,748
4.625% senior notes due September 2021	637,408	668,347
5.50% senior notes due January 2023	577,042	586,000
5.10% senior notes due September 2023	336,714	342,923
0.75% senior exchangeable notes due January 2024	456,077	450,689
5.75% senior notes due February 2025	791,502	791,502
2012 Revolving credit facility	300,000	170,000
2018 Revolving credit facility	—	—
Other	850	561
	3,714,418	3,624,770
Less: current portion	850	561
Less: deferred financing costs	35,988	38,325
	\$ 3,677,580	\$ 3,585,884

During the three months ended March 31, 2019, we repurchased the \$46.2 million aggregate principal amount outstanding of our senior unsecured notes for approximately \$44.5 million in cash, including principal, and \$0.9 million in accrued and unpaid interest. In connection with the repurchase, we recognized a gain of approximately \$2.7 million, which represents the discount in connection with these repurchases and is included in other, net in our condensed consolidated statement of income (loss) for the three months ended March 31, 2019.

5.75% Senior Notes Due February 2025

In January 2018, Nabors Industries, Inc. (“Nabors Delaware”), a wholly owned subsidiary of Nabors, issued \$800 million in aggregate principal amount of 5.75% senior unsecured notes due February 1, 2025, which are fully and unconditionally guaranteed by Nabors. The notes subsequently were exchanged for notes registered under the Securities Act pursuant to an exchange offer that took place in August 2018. The notes pay interest semi-annually on February 1 and August 1, beginning on August 1, 2018, and will mature on February 1, 2025.

The notes rank equal in right of payment to all of Nabors Delaware’s existing and future unsubordinated indebtedness, and senior in right of payment to all of Nabors Delaware’s existing and future senior subordinated and subordinated

indebtedness. Our guarantee of the notes is unsecured and an unsubordinated obligation and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. In the event of a change of control triggering event, as defined in the indenture, the holders of the notes may require Nabors Delaware to purchase all or a portion of the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any. The notes are redeemable in whole or in part at any time at the option of Nabors Delaware at a redemption price, plus accrued and unpaid interest, as specified in the indenture. Nabors Delaware used a portion of the proceeds to repay the amount outstanding on the 6.15% senior notes due February 2018. The remaining proceeds not used for such purposes were allocated for general corporate purposes, including to repay amounts outstanding under the commercial paper program and to repurchase or repay other indebtedness.

0.75% Senior Exchangeable Notes Due January 2024

In January 2017, Nabors Delaware issued \$575 million in aggregate principal amount of 0.75% exchangeable senior unsecured notes due 2024, which are fully and unconditionally guaranteed by Nabors. The notes bear interest at a rate of 0.75% per year payable semiannually on January 15 and July 15 of each year, beginning on July 15, 2017. The exchangeable notes are bifurcated for accounting purposes into debt and equity components of \$411.2 million and \$163.8 million, respectively, based on the relative fair value. Debt issuance costs of \$9.6 million and equity issuance costs of \$3.9 million were capitalized in connection with the issuance of these notes in long-term debt and netted against the proceeds allocated to the equity component, respectively, in our condensed consolidated balance sheet. The debt issuance costs are being amortized through January 2024.

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The exchangeable notes are exchangeable, under certain conditions, at an initial exchange rate of 39.75 common shares of Nabors per \$1,000 principal amount of exchangeable notes (equivalent to an initial exchange price of approximately \$25.16 per common share). Upon any exchange, Nabors Delaware will settle its exchange obligation in cash, common shares of Nabors, or a combination of cash and common shares, at our election.

In connection with the pricing of the notes, we entered into privately negotiated capped call transactions which are expected to reduce potential dilution to common shares and/or offset potential cash payments required to be made in excess of the principal amount upon any exchange of notes. Such reduction and/or offset is subject to a cap representing a price per share of \$31.45, an approximately 75.0% premium over our share price of \$17.97 as of the date of the transaction. The capped call meets the definition of a derivative under ASC 815, Derivatives and Hedging, as it has an underlying (the Company's share price), a notional amount (the number of underlying shares to be purchased per option), an initial net investment less (by more than a nominal amount) than the amount that would have to be paid to own the underlying and provides for a default net share settlement (but could also be settled in cash at the election of the Company). However, the capped call meets the derivative scope exception under ASC 815 for instruments indexed to the Company's own stock and classified in shareholders' equity and therefore was initially recorded in equity. Until such time as the Company elects a settlement method for the exchangeable notes, the capped call transaction will continue to be accounted for as equity. At conversion, if the Company elects to partially settle the notes in cash in excess of the principal amount, or fully in cash, the capped call will be subject to mark to market through earnings as a derivative until such settlement is paid.

The net proceeds from the offering of the exchangeable notes were used to prepay the remaining balance of our unsecured term loan originally scheduled to mature in 2020, as well as to pay the cost of the capped call transactions. The remaining net proceeds from the offering were allocated for general corporate purposes, including to repurchase or repay other indebtedness.

2018 Revolving Credit Facility

On October 11, 2018, Nabors Delaware, Nabors Drilling Canada Limited, an Alberta corporation ("Nabors Canada"), Nabors and certain other of Nabors' wholly owned subsidiaries entered into a new five-year unsecured revolving facility with the lenders and issuing banks party thereto and Citibank, N.A., as administrative agent (the "2018 Revolving Credit Facility"). The 2018 Revolving Credit Facility has a borrowing capacity of \$1.267 billion and is fully and unconditionally guaranteed by Nabors and certain of its wholly owned subsidiaries. The 2018 Revolving Credit Facility matures at the earlier of (a) October 11, 2023 and (b) July 19, 2022, if any of Nabors Delaware's existing 5.5% senior notes due January 2023 remain outstanding as of such date. Certain lenders have committed to provide Nabors Delaware an aggregate principal amount of \$1.227 billion under the 2018 Revolving Credit Facility, which may be drawn in U.S. dollars, and HSBC Bank Canada has committed to provide Nabors Canada an aggregate principal amount of \$40 million in U.S. dollar equivalent, which can be drawn upon in either U.S. or Canadian dollars. The 2018 Revolving Credit Facility contains certain affirmative and negative covenants, including a financial covenant requiring Nabors to maintain a net debt to capitalization ratio not in excess of 0.60:1. Our net debt to capital ratio was 0.55:1 as of March 31, 2019. The net debt to capital ratio is calculated by dividing net debt by net capitalization. Net debt is defined as total debt minus the sum of cash and cash equivalents and short-term investments. Net capitalization

is defined as net debt plus shareholders' equity. As of March 31, 2019, our net debt could be higher by approximately \$630.0 million, while still maintaining our net debt to capital ratio of 0.60:1. Borrowing from the revolving credit facilities to pay down other debt, such as the 5.00% senior notes due September 2020, does not adversely impact the ratio calculation. Therefore, the entire balance under the revolving credit facilities could be drawn to pay down outstanding debt. The ratio is only materially impacted by borrowing under the revolving credit facility to use for purposes other than retiring debt, which would increase our net debt. We can limit or control our spending through reductions in discretionary capital or other types of controllable expenditures, monetization of assets, accessing capital markets through a variety of alternative methods, or any combination of these alternatives if needed. We cannot make any assurances as to our ability to implement any or all of these alternatives.

Additionally, during any period in which Nabors Delaware fails to maintain an investment grade rating from at least two ratings agencies, the guarantors under the facility and their respective subsidiaries will be required to maintain an asset to debt coverage ratio (as defined in the 2018 Revolving Credit Facility) of at least 2.50:1. As of March 31, 2019, our asset to debt coverage ratio was 3.74:1. The asset to debt coverage ratio is calculated by dividing (x) drilling-related fixed assets wholly owned by certain of Nabors' subsidiaries that are guaranteeing the 2018 Revolving Credit Facility (the "2018 Revolver Guarantors") or wholly owned subsidiaries of the 2018 Revolver Guarantors by (y) total debt of the

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2018 Revolver Guarantors (subject to certain exclusions). As of the date of this report, we had no borrowings outstanding under our 2018 Revolving Credit Facility. In order to make any future borrowings under the 2018 Revolving Credit Facility, Nabors and certain of its wholly owned subsidiaries are subject to compliance with the conditions and covenants contained therein, including compliance with applicable financial ratios.

2012 Revolving Credit Facility

In connection with the 2018 Revolving Credit Facility, on October 11, 2018, Nabors Delaware entered into Amendment No. 3 to its existing credit agreement dated November 29, 2012 (as amended, including such amendment, the “2012 Revolving Credit Facility”), among itself, Nabors, Nabors Canada, HSBC Bank Canada, the other lenders party thereto, Citibank, N.A., and Wilmington Trust, National Association, as successor administrative agent (the “Amendment”). The Amendment, among other things, provides for Citibank, N.A.’s resignation as administrative agent and the appointment of Wilmington Trust, National Association as administrative agent, reduces the overall commitments available to \$666.25 million and provides for certain lenders to exit the facility in order to become lenders under the 2018 Revolving Credit Facility. Availability under the 2012 Revolving Credit Facility is subject to a covenant not to exceed a net debt to capital ratio of 0.60:1. As of March 31, 2019, we had \$300.0 million outstanding under the 2012 Revolving Credit Facility. The weighted average interest rate on borrowings at March 31, 2019 was 4.00%. The 2012 Revolving Credit Facility matures on July 14, 2020.

As of the date of this report, we were in compliance with all covenants under the 2018 Revolving Credit Facility and 2012 Revolving Credit Facility. If we fail to perform our obligations under the covenants, the revolving credit commitment could be terminated, and any outstanding borrowings under the facility could be declared immediately due and payable.

Note 6 Shareholders’ Equity

Common shares

In May 2018, we issued 35,000,000 shares of common stock at a price to the public of \$7.75 per share. In connection with this offering, in June 2018 the underwriters exercised in full their option to purchase 5,250,000 additional common shares. Nabors received aggregate net proceeds of approximately \$301.4 million after deducting underwriting discounts, commissions and offering expenses.

On February 22, 2019, a cash dividend of \$0.01 per share was declared for shareholders of record on March 12, 2019. The dividend was paid on April 2, 2019 in the amount of \$3.5 million. These dividends were charged to retained

earnings in our condensed consolidated statements of changes in equity for the three months ended March 31, 2019.

On April 24, 2019, our Board of Directors declared a cash dividend of \$0.01 per common share, which will be paid on July 2, 2019 to shareholders of record at the close of business on June 11, 2019.

Convertible Preferred Shares

In May 2018, we issued 5,750,000 (including the underwriters option for 750,000) of our 6% Series A Mandatory Convertible Preferred Shares (the “mandatory convertible preferred shares”), par value \$.001 per share, with a liquidation preference of \$50 per share. Nabors received aggregate net proceeds of approximately \$277.9 million after deducting underwriting discounts, commissions and offering expenses.

The dividends on the mandatory convertible preferred shares are payable on a cumulative basis at a rate of 6% annually on the initial liquidation preference of \$50 per share. Dividends accumulate and are paid quarterly to the extent that we have available funds and our Board of Directors declares a dividend payable. We may elect to pay any accumulated and unpaid dividends in cash or common shares or any combination thereof. At issuance, each mandatory convertible preferred share was automatically convertible into between 5.3763 and 6.4516 of our common shares based on the average share price over a period of twenty consecutive trading days ending prior to May 1, 2021, subject to anti-dilution adjustments. As a result of the dividends paid on our common shares since the offering, the conversion rate for each mandatory convertible preferred share has been adjusted to between 5.5946 and 6.7136 of our common shares. At any time prior to May 1, 2021, a holder of mandatory convertible preferred shares may convert such mandatory convertible preferred shares into our common shares at the minimum conversion rate, subject to adjustment.

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On February 22, 2019, a cash dividend of \$0.75 per mandatory convertible preferred share was declared for shareholders of record on April 15, 2019. The dividend was paid on May 1, 2019 in the amount of \$4.3 million. These dividends were charged to retained earnings in our condensed consolidated statements of changes in equity for the three months ended March 31, 2019.

On April 24, 2019, our Board of Directors declared a cash dividend of \$0.75 per mandatory convertible preferred share, which will be paid on August 1, 2019 to shareholders of record at the close of business on July 15, 2019.

Note 7 Commitments and Contingencies

Contingencies

Income Tax

We operate in a number of countries and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could change substantially.

In certain jurisdictions we have recognized deferred tax assets and liabilities. Judgment and assumptions are required in determining whether deferred tax assets will be fully or partially utilized. When we estimate that all or some portion of certain deferred tax assets such as net operating loss carryforwards will not be utilized, we establish a valuation allowance for the amount we determine to be more likely than not unrealizable. We continually evaluate strategies that could allow for future utilization of our deferred assets. Any change in the ability to utilize such deferred assets will be accounted for in the period of the event affecting the valuation allowance. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting adjustments could have a material effect on our financial results or cash flow. At this time, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize the deferred tax assets that we have recognized. However, it is possible that some of our recognized deferred tax assets, relating to net operating loss carryforwards, could expire unused or could carryforward indefinitely without utilization. Therefore, unless we are able to generate sufficient taxable income from our component operations, a substantial valuation allowance to reduce our deferred tax assets may be required, which would materially increase our tax expense in the period the allowance is recognized and

materially adversely affect our results of operations and statement of financial condition.

Litigation

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

In March 2011, the Court of Ouargla entered a judgment of approximately \$23.6 million (at March 31, 2019 exchange rates) against us relating to alleged violations of Algeria's foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to us by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately \$7.5 million of the total contract amount was paid offshore in foreign currency, and approximately \$3.2 million was paid in local

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currency. The judgment includes fines and penalties of approximately four times the amount at issue. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals upheld the lower court's ruling, and we appealed the matter to the Supreme Court. On September 25, 2014, the Supreme Court overturned the verdict against us, and the case was reheard by the Ouargla Court of Appeals on March 22, 2015 in light of the Supreme Court's opinion. On March 29, 2015, the Ouargla Court of Appeals reinstated the initial judgment against us. We have appealed this decision again to the Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to \$15.6 million in excess of amounts accrued.

On September 29, 2017, Nabors and Nabors Maple Acquisition Ltd. were sued, along with Tesco Corporation and its Board of Directors, in a putative shareholder class action filed in the United States District Court for the Southern District of Texas, Houston Division. The plaintiff alleges that the September 18, 2017 Preliminary Proxy Statement filed by Tesco with the United States Securities and Exchange Commission omitted material information with respect to the proposed transaction between Tesco and Nabors announced on August 14, 2017. The plaintiff claims that the omissions rendered the Proxy Statement false and misleading, constituting a violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934. The court consolidated several matters and entered a lead plaintiff appointment order. The plaintiff filed their amended complaint, adding Nabors Industries, Ltd. as a party to the consolidated action. Nabors filed its motion to dismiss, which was granted by the court on March 29, 2019. Plaintiffs have thirty (30) days to seek a new trial or file an appeal. Nabors will continue to vehemently defend itself against the allegations.

Following a routine audit conducted in May and June of 2018 by the Atyrau Oblast Ecology Department (the "AOED"), our joint venture in Kazakhstan, KMG Nabors Drilling Company ("KNDC"), was administratively fined for not having emissions permits for KNDC owned or leased equipment. Prior to this audit, the AOED had always accepted the operator's permits for all of their subcontractors. However, because of major personnel changes, AOED changed this position and is now requiring that the owner/lessor of the equipment that emits the pollutants must have its own permits. Administrative fines have been issued to KNDC and paid in the amount of \$0.8 million for violations regarding the failure to have proper permits, and consequently additional "environmental damages" that have been created during the period while KNDC did not hold its' own permit for the emissions are pending that could exceed \$3.4 million. Additional damages in the form of later year audits and taxes could become due as well exposing KNDC to possible additional penalties and fines in an amount estimated to be up to approximately \$4.0 million. KNDC believes and is taking the stance, that the operator of the wells has a contractual obligation to reimburse KNDC for any and all such fines. The operator initially agreed with this approach, but then reversed its position in late 2018. In addition, KNDC has challenged the AOED's decision both administratively and through the courts. The administrative appeal remains pending. The original administrative decision has been affirmed in the lower courts, and on February 6, 2019, the decision was appealed to the Supreme Court. The initial hearing in the Supreme Court took place and the decision is pending. Nabors intends to vigorously defend itself and pursue all remedies at its disposal.

Off-Balance Sheet Arrangements (Including Guarantees)

We are a party to some transactions, agreements or other contractual arrangements defined as “off-balance sheet arrangements” that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements involve agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these agreements serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers’ compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by Nabors to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees.

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Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote. The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				Total
	2019	2020	2021	Thereafter	
Financial standby letters of credit and other financial surety instruments	\$ 213,018	1,168	—	—	\$ 214,186

Note 8 Earnings (Losses) Per Share

ASC 260, Earnings per Share, requires companies to treat unvested share-based payment awards that have nonforfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings (losses) per share. We have granted and expect to continue to grant to employees restricted stock grants that contain nonforfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings (losses) per share and calculate basic earnings (losses) per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. The participating security holders are not contractually obligated to share in losses. Therefore, losses are not allocated to the participating security holders.

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

Diluted earnings (losses) per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and unvested restricted stock. Shares issuable upon exchange of the \$575 million 0.75% exchangeable notes are not included in the calculation of diluted earnings (losses) per share unless the exchange value of the notes exceeds their principal amount at the end of the relevant reporting period, in which case the notes will be accounted for as if the number of common shares that would be necessary to settle the excess are issued. Such shares are only included in the calculation of the weighted-average number of shares outstanding in our diluted earnings (losses) per share calculation, when the price of our shares exceeds \$25.16 on the last trading day of the quarter, which did not occur during the three months ended March 31, 2019.

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A reconciliation of the numerators and denominators of the basic and diluted earnings (losses) per share computations is as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands, except per share amounts)	
BASIC EPS:		
Net income (loss) (numerator):		
Income (loss) from continuing operations, net of tax	\$ (103,376)	\$ (143,587)
Less: net (income) loss attributable to noncontrolling interest	(14,176)	(539)
Less: preferred stock dividends	(4,313)	—
Less: accrued distribution on redeemable noncontrolling interest in subsidiary	(5,063)	(2,399)
Less: distributed and undistributed earnings allocated to unvested shareholders	(118)	3,360
Numerator for basic earnings per share:		
Adjusted income (loss) from continuing operations, net of tax - basic	\$ (127,046)	\$ (143,165)
Income (loss) from discontinued operations, net of tax	\$ (157)	\$ (75)
Weighted-average number of shares outstanding - basic	350,764	308,788
Earnings (losses) per share:		
Basic from continuing operations	\$ (0.36)	\$ (0.46)
Basic from discontinued operations	—	—
Total Basic	\$ (0.36)	\$ (0.46)
DILUTED EPS:		
Adjusted income (loss) from continuing operations, net of tax - basic	\$ (127,046)	\$ (143,165)
Add: effect of reallocating undistributed earnings of unvested shareholders	—	—
Adjusted income (loss) from continuing operations, net of tax - diluted	\$ (127,046)	\$ (143,165)
Income (loss) from discontinued operations, net of tax	\$ (157)	\$ (75)
Weighted-average number of shares outstanding - basic	350,764	308,788
Add: dilutive effect of potential common shares	—	—
Weighted-average number of shares outstanding - diluted	350,764	308,788
Earnings (losses) per share:		
Diluted from continuing operations	\$ (0.36)	\$ (0.46)
Diluted from discontinued operations	—	—
Total Diluted	\$ (0.36)	\$ (0.46)

For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options with exercise prices greater than the average market price of Nabors' common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. For periods in which we experience a net loss from continuing operations, all potential common shares have been excluded from the calculation of weighted-average shares outstanding, because their inclusion would be anti-dilutive. The average number of options that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the

future were as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Potentially dilutive securities excluded as anti-dilutive	2,563	4,534

In any period during which the average market price of Nabors' common shares exceeds the exercise prices of these stock options, such stock options will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock is included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities.

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Additionally, we excluded 38.6 million common shares from the computation of diluted shares issuable upon the conversion of mandatory convertible preferred shares, because their effect would be anti-dilutive under the if-converted method.

Note 9 Supplemental Balance Sheet and Income Statement Information

Accrued liabilities included the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
Accrued compensation	\$ 74,104	\$ 92,358
Deferred revenue and proceeds on insurance and asset sales	125,777	149,266
Other taxes payable	15,460	33,199
Workers' compensation liabilities	15,214	16,316
Interest payable	18,982	59,718
Litigation reserves	20,494	24,926
Current liability to discontinued operations	999	2,445
Dividends declared and payable	3,514	25,330
Other accrued liabilities	23,515	14,354
	\$ 298,059	\$ 417,912

Investment income (loss) includes the following:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Interest and dividend income	\$ 2,033	\$ 1,191
Gains (losses) on marketable securities	7,644	(726)
	\$ 9,677	\$ 465

Other, net included the following:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Losses (gains) on sales, disposals and involuntary conversions of long-lived assets	\$ 3,633	\$ 2,240
Transaction related costs (1)	—	7,044
Litigation expenses and reserves	7,132	3,600
Foreign currency transaction losses (gains)	8,573	2,503
(Gain) loss on debt buyback	(2,667)	—
Other losses (gains)	831	(1,298)
	\$ 17,502	\$ 14,089

(1) Represents transaction related costs, including professional fees, severances, facility closure costs and other cost rationalization items, primarily in connection with the acquisition of Tesco.

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The changes in accumulated other comprehensive income (loss), by component, included the following:

	Gains (losses) on cash flow hedges (In thousands (1))	Unrealized gains (losses) on available- for-sale securities (1))	Defined benefit pension plan items	Foreign currency items	Total
As of January 1, 2018	\$ (922)	\$ 9,144	\$ (4,111)	\$ 7,074	\$ 11,185
Other comprehensive income (loss) before reclassifications	—	—	—	(9,343)	(9,343)
Amounts reclassified from accumulated other comprehensive income (loss)	109	—	42	—	151
Adoption of ASU No. 2016-01	—	(9,144)	—	—	(9,144)
Net other comprehensive income (loss)	109	(9,144)	42	(9,343)	(18,336)
As of March 31, 2018	\$ (813)	\$ —	\$ (4,069)	\$ (2,269)	\$ (7,151)

(1) All amounts are net of tax.

Unrealized