

Noble Corp plc  
Form 10-Q  
August 04, 2017

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

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FORM 10-Q

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

For the quarterly period ended: June 30, 2017

OR

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

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

Commission file number: 001-36211

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

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

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

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

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Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer,"

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“accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Noble Corporation plc:	<input checked="" type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Emerging growth company
Noble Corporation:	<input type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input checked="" type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Emerging growth company

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

Number of shares outstanding and trading at July 25, 2017: Noble Corporation plc — 244,903,025

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

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

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



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$602,977	\$725,722
Accounts receivable, net	242,657	319,152
Taxes receivable	18,169	55,480
Prepaid expenses and other current assets	74,290	92,260
Total current assets	938,093	1,192,614
Property and equipment, at cost	12,410,857	12,364,888
Accumulated depreciation	(2,572,562 )	(2,302,940 )
Property and equipment, net	9,838,295	10,061,948
Other assets	248,709	185,555
Total assets	\$11,025,097	\$11,440,117
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$249,475	\$299,882
Accounts payable	86,643	108,224
Accrued payroll and related costs	38,326	48,383
Taxes payable	89,738	46,561
Interest payable	99,662	61,299
Other current liabilities	84,610	68,944
Total current liabilities	648,454	633,293
Long-term debt	3,793,894	4,040,229
Deferred income taxes	212,526	2,084
Other liabilities	297,806	297,066
Total liabilities	4,952,680	4,972,672
Commitments and contingencies (Note 14)		
Shareholders' equity		
Common stock, \$0.01 par value, ordinary shares; 244,903 and 243,239 shares outstanding as of June 30, 2017 and December 31, 2016, respectively	2,449	2,432
Additional paid-in capital	665,014	654,168
Retained earnings	4,759,260	5,154,221
Accumulated other comprehensive loss	(50,354 )	(52,140 )
Total shareholders' equity	5,376,369	5,758,681
Noncontrolling interests	696,048	708,764
Total equity	6,072,417	6,467,445
Total liabilities and equity	\$11,025,097	\$11,440,117

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues				
Contract drilling services	\$271,532	\$876,697	\$626,191	\$1,468,064
Reimbursables	6,599	17,933	14,903	38,539
Other	11	153	24	153
	278,142	894,783	641,118	1,506,756
Operating costs and expenses				
Contract drilling services	162,371	244,176	322,756	495,424
Reimbursables	4,394	14,298	9,540	30,304
Depreciation and amortization	136,594	150,946	272,312	300,665
General and administrative	18,658	19,033	34,538	38,573
Loss on impairment	—	16,616	—	16,616
	322,017	445,069	639,146	881,582
Operating income (loss)	(43,875 )	449,714	1,972	625,174
Other income (expense)				
Interest expense, net of amount capitalized	(73,209 )	(57,306 )	(146,656 )	(114,406 )
Gain on extinguishment of debt, net	—	11,066	—	11,066
Interest income and other, net	2,664	(1,253 )	3,897	(1,983 )
Income (loss) from continuing operations before income taxes	(114,420 )	402,221	(140,787 )	519,851
Income tax benefit (provision)	18,213	(56,822 )	(239,194 )	(50,319 )
Net income (loss) from continuing operations	(96,207 )	345,399	(379,981 )	469,532
Net loss from discontinued operations, net of tax	(1,486 )	—	(1,486 )	—
Net income (loss)	(97,693 )	345,399	(381,467 )	469,532
Net (income) loss attributable to noncontrolling interests	4,343	(22,533 )	(13,577 )	(41,181 )
Net income (loss) attributable to Noble Corporation plc	\$(93,350 )	\$322,866	\$(395,044)	\$428,351
Net income (loss) attributable to Noble Corporation plc				
Income (loss) from continuing operations	\$(91,864 )	\$322,866	\$(393,558)	\$428,351
Net loss from discontinued operations, net of tax	(1,486 )	—	(1,486 )	—
Net income (loss) attributable to Noble Corporation plc	\$(93,350 )	\$322,866	\$(395,044)	\$428,351
Per share data				
Basic:				
Income (loss) from continuing operations	\$(0.37 )	\$1.28	\$(1.61 )	\$1.70
Loss from discontinued operations	(0.01 )	—	(0.01 )	—
Net income (loss) attributable to Noble Corporation plc	\$(0.38 )	\$1.28	\$(1.62 )	\$1.70
Diluted:				
Income (loss) from continuing operations	\$(0.37 )	\$1.28	\$(1.61 )	\$1.70
Loss from discontinued operations	(0.01 )	—	(0.01 )	—
Net income (loss) attributable to Noble Corporation plc	\$(0.38 )	\$1.28	\$(1.62 )	\$1.70

See accompanying notes to the unaudited condensed consolidated financial statements.



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

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$(97,693)	\$345,399	\$(381,467)	\$469,532
Other comprehensive income (loss)				
Foreign currency translation adjustments	94	38	280	806
Foreign currency forward contracts	849	(2,054)	739	(1,068)
Amortization of deferred pension plan amounts (net of tax provision of \$161 and \$410 for the three months ended June 30, 2017 and 2016, respectively, and \$328 and \$819 for the six months ended June 30, 2017 and 2016, respectively)	375	784	767	1,567
Other comprehensive income (loss), net	1,318	(1,232)	1,786	1,305
Net comprehensive (income) loss attributable to noncontrolling interests	4,343	(22,533)	(13,577)	(41,181)
Comprehensive income (loss) attributable to Noble Corporation plc	\$(92,032)	\$321,634	\$(393,258)	\$429,656

See accompanying notes to the unaudited condensed consolidated financial statements.



NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$(381,467)	\$469,532
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	272,312	300,665
Loss on impairment	—	16,616
Gain on extinguishment of debt, net	—	(11,066 )
Deferred income taxes	303,084	(100,408 )
Amortization of share-based compensation	15,187	19,565
Other long-term asset write-off	14,419	—
Net change in other assets and liabilities	30,750	164,319
Net cash provided by operating activities	254,285	859,223
Cash flows from investing activities		
Capital expenditures	(48,957 )	(120,531 )
Change in accrued capital expenditures	(18,651 )	(38,378 )
Proceeds from disposal of assets	314	21,190
Net cash used in investing activities	(67,294 )	(137,719 )
Cash flows from financing activities		
Repayments of debt	(300,000 )	(322,207 )
Debt issuance costs on senior notes and credit facility	(42 )	—
Premiums paid on early repayment of long-term debt	—	(1,781 )
Dividend payments	—	(42,542 )
Dividends paid to noncontrolling interests	(5,393 )	(41,088 )
Employee stock transactions	(4,301 )	(3,153 )
Net cash used in financing activities	(309,736 )	(410,771 )
Net increase (decrease) in cash and cash equivalents	(122,745 )	310,733
Cash and cash equivalents, beginning of period	725,722	512,245
Cash and cash equivalents, end of period	\$602,977	\$822,978
See accompanying notes to the unaudited condensed consolidated financial statements.		

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares		Additional Paid-in Capital	Retained Earnings	Accumulated		Noncontrolling Interests	Total Equity
	Balance	Par Value			Other Comprehensive Loss			
Balance at December 31, 2015	241,977	\$ 2,420	\$ 628,483	\$ 6,131,501	\$ (63,175 )	\$ 723,001	\$ 7,422,230	
Employee related equity activity								
Amortization of share-based compensation	—	—	19,565	—	—	—	19,565	
Issuance of share-based compensation shares	1,241	12	(3,585 )	—	—	—	(3,573 )	
Tax benefit of equity transactions	—	—	(5,499 )	—	—	—	(5,499 )	
Net income	—	—	—	428,351	—	41,181	469,532	
Dividends paid to noncontrolling interests	—	—	—	—	—	(41,088 )	(41,088 )	
Dividends	—	—	—	(42,691 )	—	—	(42,691 )	
Other comprehensive income, net	—	—	—	—	1,305	—	1,305	
Balance at June 30, 2016	243,218	\$ 2,432	\$ 638,964	\$ 6,517,161	\$ (61,870 )	\$ 723,094	\$ 7,819,781	
Balance at December 31, 2016	243,239	\$ 2,432	\$ 654,168	\$ 5,154,221	\$ (52,140 )	\$ 708,764	\$ 6,467,445	
Employee related equity activity								
Amortization of share-based compensation	—	—	15,187	—	—	—	15,187	
Issuance of share-based compensation shares	1,664	17	(23 )	—	—	—	(6 )	
Shares withheld for taxes on equity transactions	—	—	(4,318 )	—	—	—	(4,318 )	
Net income (loss)	—	—	—	(395,044 )	—	13,577	(381,467 )	
Dividends paid to noncontrolling interests	—	—	—	—	—	(26,293 )	(26,293 )	
Dividends	—	—	—	83	—	—	83	
Other comprehensive income, net	—	—	—	—	1,786	—	1,786	
Balance at June 30, 2017	244,903	\$ 2,449	\$ 665,014	\$ 4,759,260	\$ (50,354 )	\$ 696,048	\$ 6,072,417	

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$602,178	\$653,833
Accounts receivable, net	242,657	319,152
Taxes receivable	18,169	55,480
Prepaid expenses and other current assets	74,200	88,749
Total current assets	937,204	1,117,214
Property and equipment, at cost	12,410,857	12,364,888
Accumulated depreciation	(2,572,562 )	(2,302,940 )
Property and equipment, net	9,838,295	10,061,948
Other assets	248,794	178,552
Total assets	\$11,024,293	\$11,357,714
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$249,475	\$299,882
Accounts payable	86,414	107,868
Accrued payroll and related costs	38,340	48,319
Taxes payable	89,312	46,561
Interest payable	99,662	61,299
Other current liabilities	84,478	67,312
Total current liabilities	647,681	631,241
Long-term debt	3,793,894	4,040,229
Deferred income taxes	212,526	2,084
Other liabilities	297,806	292,183
Total liabilities	4,951,907	4,965,737
Commitments and contingencies (Note 14)		
Shareholder equity		
Common stock, \$0.01 par value, ordinary shares; 261,246 shares outstanding as of June 30, 2017 and December 31, 2016	26,125	26,125
Capital in excess of par value	609,245	594,091
Retained earnings	4,791,322	5,115,137
Accumulated other comprehensive loss	(50,354 )	(52,140 )
Total shareholder equity	5,376,338	5,683,213
Noncontrolling interests	696,048	708,764
Total equity	6,072,386	6,391,977
Total liabilities and equity	\$11,024,293	\$11,357,714

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues				
Contract drilling services	\$271,532	\$876,697	\$626,191	\$1,468,064
Reimbursables	6,599	17,933	14,903	38,539
Other	11	253	24	853
	278,142	894,883	641,118	1,507,456
Operating costs and expenses				
Contract drilling services	161,857	242,234	321,873	491,524
Reimbursables	4,394	14,298	9,540	30,304
Depreciation and amortization	134,633	150,938	270,351	300,611
General and administrative	13,231	13,853	22,295	24,458
Loss on impairment	—	16,616	—	16,616
	314,115	437,939	624,059	863,513
Operating income (loss)	(35,973 )	456,944	17,059	643,943
Other income (expense)				
Interest expense, net of amount capitalized	(73,209 )	(57,306 )	(146,656 )	(114,406 )
Gain on extinguishment of debt, net	—	11,066	—	11,066
Interest income and other, net	2,728	(1,203 )	3,847	(1,936 )
Income (loss) from continuing operations before income taxes	(106,454 )	409,501	(125,750 )	538,667
Income tax benefit (provision)	18,213	(56,120 )	(239,160 )	(49,617 )
Net income (loss) from continuing operations	(88,241 )	353,381	(364,910 )	489,050
Net income from discontinued operations, net of tax	2,967	—	2,967	—
Net income (loss)	(85,274 )	353,381	(361,943 )	489,050
Net (income) loss attributable to noncontrolling interests	4,343	(22,533 )	(13,577 )	(41,181 )
Net income (loss) attributable to Noble Corporation	\$(80,931 )	\$330,848	\$(375,520)	\$447,869

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$(85,274)	\$353,381	\$(361,943)	\$489,050
Other comprehensive income (loss)				
Foreign currency translation adjustments	94	38	280	806
Foreign currency forward contracts	849	(2,054)	739	(1,068)
Amortization of deferred pension plan amounts (net of tax provision of \$161 and \$410 for the three months ended June 30, 2017 and 2016, respectively, and \$328 and \$819 for the six months ended June 30, 2017 and 2016, respectively)	375	784	767	1,567
Other comprehensive income (loss), net	1,318	(1,232)	1,786	1,305
Net comprehensive (income) loss attributable to noncontrolling interests	4,343	(22,533)	(13,577)	(41,181)
Comprehensive income (loss) attributable to Noble Corporation	\$(79,613)	\$329,616	\$(373,734)	\$449,174
See accompanying notes to the unaudited condensed consolidated financial statements.				

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$(361,943)	\$489,050
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	270,351	300,611
Loss on impairment	—	16,616
Gain on extinguishment of debt, net	—	(11,066 )
Deferred income taxes	303,084	(100,408 )
Capital contribution by parent - share-based compensation	15,154	17,653
Other long-term asset write-off	14,419	—
Net change in other assets and liabilities	28,304	166,837
Net cash provided by operating activities	269,369	879,293
Cash flows from investing activities		
Capital expenditures	(48,957 )	(120,531 )
Change in accrued capital expenditures	(18,651 )	(38,378 )
Proceeds from disposal of assets	314	21,190
Net cash used in investing activities	(67,294 )	(137,719 )
Cash flows from financing activities		
Repayments of debt	(300,000 )	(322,207 )
Debt issuance costs on senior notes and credit facility	(42 )	—
Premiums paid on early repayment of long-term debt	—	(1,781 )
Dividends paid to noncontrolling interests	(5,393 )	(41,088 )
Contributions (distributions) from (to) parent company, net	51,705	(65,316 )
Net cash used in financing activities	(253,730 )	(430,392 )
Net increase (decrease) in cash and cash equivalents	(51,655 )	311,182
Cash and cash equivalents, beginning of period	653,833	511,795
Cash and cash equivalents, end of period	\$602,178	\$822,977
See accompanying notes to the unaudited condensed consolidated financial statements.		

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

Shares	Capital	Retained	Accumulated	Noncontrolling	Total
Balance	in	Earnings	Other	Interests	Equity
	Excess		Comprehensive		
	of Par		Loss		
	Value				