

HELIX ENERGY SOLUTIONS GROUP INC

Form 10-Q

August 05, 2009

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 June 30, 2009
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 001-32936

HELIX ENERGY SOLUTIONS GROUP, INC.
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation or organization)

95-3409686
(I.R.S. Employer
Identification No.)

400 North Sam Houston Parkway
East
Suite 400
Houston, Texas
(Address of principal executive
offices)

77060
(Zip Code)

(281) 618-0400
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, 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 the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Accelerated filer

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Large accelerated
filer

Non-accelerated
filer

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

Yes

No

As of July 31, 2009, 103,422,642 shares of common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 261,930	\$ 223,613
Accounts receivable — Trade, net of allowance for uncollectible accounts of \$273 and \$5,905, respectively	215,116	427,856
Unbilled revenue	14,052	42,889
Costs in excess of billing	37,121	74,361
Other current assets	123,325	172,089
Current assets of discontinued operations	—	19,215
Total current assets	651,544	960,023
Property and equipment	4,160,962	4,742,051
Less — accumulated depreciation	(1,337,746)	(1,323,608)
	2,823,216	3,418,443
Other assets:		
Equity investments	393,405	196,660
Goodwill	77,515	366,218
Other assets, net	79,682	125,722
	\$ 4,025,362	\$ 5,067,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 165,342	\$ 344,807
Accrued liabilities	224,318	231,679
Income taxes payable	77,914	—
Current maturities of long-term debt	13,730	93,540
Current liabilities of discontinued operations	—	2,772
Total current liabilities	481,304	672,798
Long-term debt	1,348,713	1,933,686
Deferred income taxes	513,248	615,504
Decommissioning liabilities	181,096	194,665
Other long-term liabilities	8,981	81,637
Total liabilities	2,533,342	3,498,290
Convertible preferred stock	25,000	55,000

Commitments and contingencies

Shareholders' equity:

Common stock, no par, 240,000 shares
authorized,98,333 and 91,972 shares issued,
respectively

	895,305	806,905
Retained earnings	571,609	417,940
Accumulated other comprehensive loss	(20,575)	(33,696)
Total controlling interest shareholders' equity	1,446,339	1,191,149
Noncontrolling interests	20,681	322,627
Total equity	1,467,020	1,513,776
	\$ 4,025,362	\$ 5,067,066

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

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 (in thousands, except per share amounts)

	Three Months Ended June 30,	
	2009	2008
Net revenues:		
Contracting services	\$ 404,647	\$ 335,969
Oil and gas	89,992	194,161
	494,639	530,130
Cost of sales:		
Contracting services	312,502	245,241
Oil and gas	46,381	95,811
	358,883	341,052
Gross profit	135,756	189,078
Gain on oil and gas derivative commodity contracts	4,121	—
Gain on sale of assets, net	1,319	18,803
Selling and administrative expenses	(39,372)	(42,246)
Income from operations	101,824	165,635
Equity in earnings of investments	6,264	6,155
Gain on sale of Cal Dive common stock	59,442	—
Net interest expense and other	(7,468)	(20,615)
Income before income taxes	160,062	151,175
Provision for income taxes	(56,809)	(54,773)
Income from continuing operations	103,253	96,402
Income from discontinued operations, net of tax	9,836	1,205
Net income, including noncontrolling interests	113,089	97,607
Net income applicable to noncontrolling interests	(12,620)	(7,076)
Net income applicable to Helix	100,469	90,531
Preferred stock dividends	(250)	(880)
Net income applicable to Helix common shareholders	\$ 100,219	\$ 89,651
Basic earnings per share of common stock:		
Continuing operations	\$ 0.92	\$ 0.97
Discontinued operations	0.10	0.01
Net income per common share	\$ 1.02	\$ 0.98
Diluted earnings per share of common stock:		
Continuing operations	\$ 0.85	\$ 0.92

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Discontinued operations	0.09	0.01
Net income per common share	\$ 0.94	\$ 0.93

Weighted average common shares
outstanding:

Basic	96,936	90,519
Diluted	105,995	95,718

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

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share amounts)

	Six Months Ended	
	June 30,	
	2009	2008
Net revenues:		
Contracting services	\$ 815,441	\$ 606,687
Oil and gas	250,173	365,212
	1,065,614	971,899
Cost of sales:		
Contracting services	638,200	458,755
Oil and gas	130,448	205,483
	768,648	664,238
Gross profit	296,966	307,661
Gain on oil and gas derivative commodity contracts	78,730	—
Gain on sale of assets, net	1,773	79,916
Selling and administrative expenses	(80,725)	(88,414)
Income from operations	296,744	299,163
Equity in earnings of investments	13,767	16,971
Gain on sale of Cal Dive common stock	59,442	—
Net interest expense and other	(29,663)	(48,616)
Income before income taxes	340,290	267,518
Provision for income taxes	(121,728)	(97,473)
Income from continuing operations	218,562	170,045
Income from discontinued operations, net of tax	7,282	1,764
Net income, including noncontrolling interests	225,844	171,809
Net income applicable to noncontrolling interests	(18,173)	(7,313)
Net income applicable to Helix	207,671	164,496
Preferred stock dividends	(563)	(1,761)
Preferred stock beneficial conversion charges	(53,439)	—
Net income applicable to Helix common shareholders	\$ 153,669	\$ 162,735
Basic earnings per share of common stock:		
Continuing operations	\$ 1.50	\$ 1.75
Discontinued operations	0.08	0.02
Net income per common share	\$ 1.58	\$ 1.77

Diluted earnings per share of common stock:			
Continuing operations	\$	1.37	\$ 1.68
Discontinued operations		0.07	0.02
Net income per common share	\$	1.44	\$ 1.70

Weighted average common shares
outstanding:

Basic		96,077	90,511
Diluted		106,000	95,492

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

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 (in thousands)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net income, including noncontrolling interests	\$ 225,844	\$ 171,809
Adjustments to reconcile net income including noncontrolling interests		
to net cash provided by operating activities —		
Depreciation, depletion and amortization	157,289	170,361
Asset impairment charge and dry hole expense	63,499	17,028
Equity in (earnings) losses of investments, net of distributions	(3,697)	2,390
Amortization of deferred financing costs	2,903	2,720
Income from discontinued operations	(7,282)	(1,764)
Stock compensation expense	7,188	13,552
Amortization of debt discount	3,876	3,632
Deferred income taxes	19,917	(24,205)
Excess tax benefit from stock-based compensation	754	(2,567)
Gain on sale of assets	(1,773)	(79,916)
Unrealized gain on derivative contracts	(24,667)	—
Gain on sale of investment in Cal Dive common stock	(59,442)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,231)	15,164
Other current assets	15,704	3,349
Margin deposits	—	(73,200)
Income tax payable	124,531	107,083
Accounts payable and accrued liabilities	9,220	(73,863)
Other noncurrent, net	(90,640)	(61,867)
Cash provided by operating activities	428,993	189,706
Cash provided by (used in) discontinued operations	(6,121)	623
Net cash provided by operating activities	422,872	190,329
Cash flows from investing activities:		
	(238,402)	(554,730)

Capital expenditures		
Investments in equity investments	(454)	(708)
Distributions from equity investments, net	3,253	9,118
Increase in restricted cash	(15)	(400)
Proceeds from the sale of Cal Dive common stock	196,656	—
Reduction in cash from deconsolidation of Cal Dive	(112,995)	—
Proceeds from sales of properties	23,238	229,243
Cash used in investing activities	(128,719)	(317,477)
Cash provided by (used in) discontinued operations	20,874	(70)
Net cash used in investing activities	(107,845)	(317,547)

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

(Continued)

	Six Months Ended June 30,	
	2009	2008
Cash flows from financing activities:		
Repayment of Helix Term Notes	(2,163)	(2,163)
Borrowings on Helix Revolver	—	