

Transocean Ltd.
Form 10-Q
May 03, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

(Mark one)

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

For the quarterly period ended March 31, 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 000-53533

TRANSOCEAN LTD.

(Exact name of registrant as specified in its charter)

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Zug, Switzerland 98-0599916
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

10 Chemin de Blandonnet

1214

Vernier, Switzerland
(Address of principal executive offices)

(Zip Code)

+41 (22) 930-9000

(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 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 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, a non-accelerated filer, a 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 (do not check if a smaller reporting company)
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

As of April 25, 2017, 391,045,417 shares were outstanding.

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TRANSOCEAN LTD. AND SUBSIDIARIES

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PART I.FINANCIAL INFORMATION

Item I.Financial Statements

TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three months ended March 31,	
	2017	2016
Operating revenues		
Contract drilling revenues	\$ 738	\$ 1,111
Other revenues	47	230
	785	1,341
Costs and expenses		
Operating and maintenance	343	655
Depreciation	232	217
General and administrative	39	43
	614	915
Loss on impairment	—	(3)
Gain on disposal of assets, net	2	1
Operating income	173	424
Other income (expense), net		
Interest income	6	6
Interest expense, net of amounts capitalized	(127)	(89)
Other, net	3	(1)
	(118)	(84)
Income from continuing operations before income tax expense	55	340
Income tax expense (benefit)	(40)	98
Income from continuing operations	95	242
Loss from discontinued operations, net of tax	—	(1)
Net income	95	241
Net income attributable to noncontrolling interest	4	6
Net income attributable to controlling interest	\$ 91	\$ 235
Earnings per share-basic		
Earnings from continuing operations	\$ 0.23	\$ 0.64
Earnings from discontinued operations	—	—

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Earnings per share	\$ 0.23	\$ 0.64
Earnings per share-diluted		
Earnings from continuing operations	\$ 0.23	\$ 0.64
Earnings from discontinued operations	—	—
Earnings per share	\$ 0.23	\$ 0.64
Weighted-average shares outstanding		
Basic	390	364
Diluted	390	364

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three months ended March 31,	
	2017	2016
Net income	\$ 95	\$ 241
Net income attributable to noncontrolling interest	4	6
Net income attributable to controlling interest	91	235
Components of net periodic benefit costs before reclassifications	(2)	(7)
Components of net periodic benefit costs reclassified to net income	1	2
Other comprehensive loss before income taxes	(1)	(5)
Income taxes related to other comprehensive loss	—	—
Other comprehensive loss	(1)	(5)
Other comprehensive income attributable to noncontrolling interest	—	—
Other comprehensive loss attributable to controlling interest	(1)	(5)
Total comprehensive income	94	236
Total comprehensive income attributable to noncontrolling interest	4	6
Total comprehensive income attributable to controlling interest	\$ 90	\$ 230

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$ 3,093	\$ 3,052
Accounts receivable, net of allowance for doubtful accounts of less than \$1 at March 31, 2017 and December 31, 2016	850	898
Materials and supplies, net of allowance for obsolescence of \$154 and \$153 at March 31, 2017 and December 31, 2016, respectively	553	561
Restricted cash	442	466
Other current assets	133	121
Total current assets	5,071	5,098
Property and equipment	27,459	27,372
Less accumulated depreciation	(6,493)	(6,279)
Property and equipment, net	20,966	21,093
Deferred income taxes, net	309	298
Other assets	371	400
Total assets	\$ 26,717	\$ 26,889
Liabilities and equity		
Accounts payable	\$ 162	\$ 206
Accrued income taxes	76	95
Debt due within one year	1,458	724
Other current liabilities	851	960
Total current liabilities	2,547	1,985
Long-term debt	6,937	7,740
Deferred income taxes, net	170	178
Other long-term liabilities	1,128	1,153
Total long-term liabilities	8,235	9,071
Commitments and contingencies		
Redeemable noncontrolling interest	35	28
Shares, CHF 0.10 par value, 417,060,033 authorized, 143,783,041 conditionally authorized and 394,801,990 issued at March 31, 2017 and December 31, 2016 and 390,930,439 and 389,366,241 outstanding at March 31, 2017 and December 31,	37	36

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2016, respectively		
Additional paid-in capital	11,000	10,993
Retained earnings	5,147	5,056
Accumulated other comprehensive loss	(284)	(283)
Total controlling interest shareholders' equity	15,900	15,802
Noncontrolling interest	—	3
Total equity	15,900	15,805
Total liabilities and equity	\$ 26,717	\$ 26,889

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)

(Unaudited)

	Three months ended March 31,		Three months ended March 31,	
	2017	2016	2017	2016
	Quantity		Amount	
Shares				
Balance, beginning of period	389	364	\$ 36	\$ 5,193
Issuance of shares under share-based compensation plans	2	1	1	—
Reduction of par value	—	—	—	(5,159)
Balance, end of period	391	365	\$ 37	\$ 34
Additional paid-in capital				
Balance, beginning of period			\$ 10,993	\$ 5,736
Share-based compensation			10	13
Issuance of shares under share-based compensation plans			(1)	—
Reduction of par value			—	5,159
Cancellation of shares held in treasury			—	(240)
Allocated capital for transactions with holders of noncontrolling interest			—	4
Other, net			(2)	(1)
Balance, end of period			\$ 11,000	\$ 10,671
Treasury shares, at cost				
Balance, beginning of period			\$ —	\$ (240)
Cancellation of shares held in treasury			—	240
Balance, end of period			\$ —	\$ —
Retained earnings				
Balance, beginning of period			\$ 5,056	\$ 4,278
Net income attributable to controlling interest			91	235
Balance, end of period			\$ 5,147	\$ 4,513
Accumulated other comprehensive loss				
Balance, beginning of period			\$ (283)	\$ —