

Transocean Ltd.
Form 10-Q
May 05, 2016
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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, 2016

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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 26, 2016, 365,201,707 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,	
	2016	2015
Operating revenues		
Contract drilling revenues	\$ 1,111	\$ 2,000
Other revenues	230	43
	1,341	2,043
Costs and expenses		
Operating and maintenance	665	1,084
Depreciation	217	291
General and administrative	43	46
	925	1,421
Loss on impairment	(3)	(936)
Gain (loss) on disposal of assets, net	1	(7)
Operating income (loss)	414	(321)
Other income (expense), net		
Interest income	6	6
Interest expense, net of amounts capitalized	(89)	(116)
Other, net	(1)	47
	(84)	(63)
Income (loss) from continuing operations before income tax expense	330	(384)
Income tax expense	74	83
Income (loss) from continuing operations	256	(467)
Loss from discontinued operations, net of tax	(1)	(2)
Net income (loss)	255	(469)
Net income attributable to noncontrolling interest	6	14
Net income (loss) attributable to controlling interest	\$ 249	\$ (483)
Earnings (loss) per share-basic		
Earnings (loss) from continuing operations	\$ 0.68	\$ (1.32)

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Earnings (loss) from discontinued operations	—	(0.01)
Earnings (loss) per share	\$ 0.68	\$ (1.33)
Earnings (loss) per share-diluted		
Earnings (loss) from continuing operations	\$ 0.68	\$ (1.32)
Earnings (loss) from discontinued operations	—	(0.01)
Earnings (loss) per share	\$ 0.68	\$ (1.33)
Weighted-average shares outstanding		
Basic	364	363
Diluted	364	363

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

(Unaudited)

	Three months ended March 31,	
	2016	2015
Net income (loss)	\$ 255	\$ (469)
Net income attributable to noncontrolling interest	6	14
Net income (loss) attributable to controlling interest	249	(483)
Other comprehensive loss before reclassifications		
Components of net periodic benefit costs	(7)	(13)
Reclassifications to net income		
Components of net periodic benefit costs	2	5
Other comprehensive loss before income taxes	(5)	(8)
Income taxes related to other comprehensive loss	—	(2)
Other comprehensive loss	(5)	(10)
Other comprehensive income attributable to noncontrolling interest	—	—
Other comprehensive loss attributable to controlling interest	(5)	(10)
Total comprehensive income (loss)	250	(479)
Total comprehensive income attributable to noncontrolling interest	6	14
Total comprehensive income (loss) attributable to controlling interest	\$ 244	\$ (493)

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 2,574	\$ 2,339
Accounts receivable, net of allowance for doubtful accounts of less than \$1 at March 31, 2016 and December 31, 2015	1,094	1,379
Materials and supplies, net of allowance for obsolescence of \$154 and \$148 at March 31, 2016 and December 31, 2015, respectively	625	635
Assets held for sale	8	8
Restricted cash	338	340
Other current assets	61	84
Total current assets	4,700	4,785
Property and equipment	26,557	26,274
Less accumulated depreciation	(5,668)	(5,456)
Property and equipment, net	20,889	20,818
Deferred income taxes, net	287	316
Other assets	369	410
Total assets	\$ 26,245	\$ 26,329
Liabilities and equity		
Accounts payable	\$ 370	\$ 448
Accrued income taxes	89	82
Debt due within one year	1,200	1,093
Other current liabilities	929	1,046
Total current liabilities	2,588	2,669
Long-term debt	7,253	7,397
Deferred income taxes, net	310	339
Other long-term liabilities	1,027	1,108
Total long-term liabilities	8,590	8,844
Commitments and contingencies		
Redeemable noncontrolling interest	11	8
Shares, CHF 0.10 par value, 393,397,220 authorized, 167,617,649 conditionally authorized, 370,967,382 issued and 365,081,912 outstanding at March 31, 2016	34	5,193

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and CHF 15.00 par value, 396,260,487 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 364,035,397 outstanding at December 31, 2015

Additional paid-in capital	10,674	5,739
Treasury shares, at cost, 2,863,267 held at December 31, 2015	—	(240)
Retained earnings	4,389	4,140
Accumulated other comprehensive loss	(339)	(334)
Total controlling interest shareholders' equity	14,758	14,498
Noncontrolling interest	298	310
Total equity	15,056	14,808
Total liabilities and equity	\$ 26,245	\$ 26,329

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)

(Unaudited)

	Three months ended		Three months ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	Quantity		Amount	
Shares				
Balance, beginning of period	364	362	\$ 5,193	\$ 5,169
Reduction of par value	—	—	(5,159)	—
Issuance of shares under share-based compensation plans	1	1	—	14
Balance, end of period	365	363	\$ 34	\$ 5,183
Additional paid-in capital				
Balance, beginning of period			\$ 5,739	\$ 5,797
Share-based compensation			13	19
Reduction of par value			5,159	—
Issuance of shares under share-based compensation plans			—	(15)
Cancellation of shares held in treasury			(240)	—
Allocated capital for transactions with holders of noncontrolling interest			4	9
Other, net			(1)	(4)
Balance, end of period			\$ 10,674	\$ 5,806
Treasury shares, at cost				
Balance, beginning of period			\$ (240)	\$ (240)
Cancellation of shares held in treasury			240	—
Balance, end of period			\$ —	\$ (240)
Retained earnings				
Balance, beginning of period			\$ 4,140	\$ 3,349
Net income (loss) attributable to controlling interest			249	(483)
Balance, end of period			\$ 4,389	\$ 2,866
Accumulated other comprehensive loss				
Balance, beginning of period			\$ (334)	\$ (404)
Other comprehensive loss attributable to controlling interest			(5)	(10)
Balance, end of period			\$ (339)	\$ (414)
Total controlling interest shareholders' equity				
Balance, beginning of period			\$ 14,498	\$ 13,671

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Total comprehensive income (loss) attributable to controlling interest	244	(493)
Share-based compensation	13	19
Issuance of shares under share-based compensation plans	—	(1)
Allocated capital for transactions with holders of noncontrolling interest	4	9
Other, net	(1)	(4)
Balance, end of period	\$ 14,758	\$ 13,201
Noncontrolling interest		
Balance, beginning of period	\$ 310	\$ 311
Total comprehensive income attributable to noncontrolling interest	3	14
Reacquired noncontrolling interest	(3)	—
Distributions to holders of noncontrolling interest	(8)	(7)
Allocated capital for transactions with holders of noncontrolling interest	(4)	(9)
Balance, end of period	\$ 298	\$ 309
Total equity		
Balance, beginning of period	\$ 14,808	\$ 13,982
Total comprehensive income (loss)	247	(479)
Share-based compensation	13	19
Issuance of shares under share-based compensation plans	—	(1)
Reacquired noncontrolling interest	(3)	—
Distributions to holders of noncontrolling interest	(8)	(7)
Other, net	(1)	(4)
Balance, end of period	\$ 15,056	\$ 13,510

See accompanying notes.

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TRANSOCEAN LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three months ended March 31,	
	2016	2015
Cash flows from operating activities		
Net income (loss)	\$ 255	\$ (469)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	217	291
Share-based compensation expense	13	19
Loss on impairment	3	936
(Gain) loss on disposal of assets, net	(1)	7
Deferred income tax benefit	(1)	(98)
Other, net	5	