

DRIL-QUIP INC
Form 10-Q
October 27, 2017

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 September 30, 2017

or

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

Commission file number 001-13439

DRIL-QUIP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 74-2162088
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
6401 N. ELDRIDGE PARKWAY
HOUSTON, TEXAS
77041
(Address of principal executive offices) (Zip Code)
(713) 939-7711
(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 regulations 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, 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 Exchange Act Rule 12b-2). Yes No

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As of October 25, 2017, the number of shares outstanding of the registrant's common stock, par value \$0.01 per share, was 37,860,549.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

DRIL-QUIP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2017	December 31, 2016
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$473,045	\$423,497
Trade receivables, net	197,139	213,513
Inventories, net	297,217	355,413
Deferred income taxes	—	24,497
Prepays and other current assets	25,088	39,791
Total current assets	992,489	1,056,711
Property, plant and equipment, net	286,560	323,149
Deferred income taxes	53,713	1,699
Goodwill	48,514	34,371
Intangible assets	39,019	29,594
Other assets	17,169	15,880
Total assets	\$1,437,464	\$1,461,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$23,860	\$36,108
Accrued income taxes	5,448	24,543
Customer prepayments	5,203	11,884
Accrued compensation	16,070	10,829
Other accrued liabilities	18,702	18,116
Total current liabilities	69,283	101,480
Deferred income taxes	2,188	3,500
Total liabilities	71,471	104,980
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, 10,000,000 shares authorized at \$0.01 par value (none issued)	—	—
Common stock:		
100,000,000 shares authorized at \$0.01 par value, 37,857,549 and 37,797,317 shares issued and outstanding at September 30, 2017 and December 31, 2016	375	375
Additional paid-in capital	16,401	5,468
Retained earnings	1,471,838	1,500,988
Accumulated other comprehensive losses	(122,621)	(150,407)
Total stockholders' equity	1,365,993	1,356,424
Total liabilities and stockholders' equity	\$1,437,464	\$1,461,404
The accompanying notes are an integral part of these condensed consolidated financial statements.		

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DRIL-QUIP, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Revenues:				
Products	\$75,885	\$101,277	\$269,570	\$352,519
Services	24,461	22,363	77,928	80,121
Total revenues	100,346	123,640	347,498	432,640
Cost and expenses:				
Cost of sales:				
Products	48,761	63,879	190,214	206,208
Services	14,289	13,754	42,825	44,402
Total cost of sales	63,050	77,633	233,039	250,610
Selling, general and administrative	27,994	12,504	84,981	31,487
Engineering and product development	10,379	10,570	32,537	33,050
Impairment and other charges (Note 7)	60,968	—	60,968	—
Total costs and expenses	162,391	100,707	411,525	315,147
Operating income (loss)	(62,045)	22,933	(64,027)	117,493
Interest income	957	945	2,963	1,968
Interest expense	(12)	(1)	(44)	(15)
Income (loss) before income taxes	(61,100)	23,877	(61,108)	119,446
Income tax provision (benefit)	(31,840)			