

MCDERMOTT INTERNATIONAL INC
Form 10-K
March 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

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 001-08430

McDERMOTT INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

REPUBLIC OF PANAMA
(State or Other Jurisdiction of
Incorporation or Organization)

72-0593134
(I.R.S. Employer
Identification No.)

757 N. ELDRIDGE PKWY.

HOUSTON, TEXAS
(Address of Principal Executive Offices)

77079
(Zip Code)

(281) 870-5000

Edgar Filing: MCDERMOTT INTERNATIONAL INC - Form 10-K

Registrant's Telephone Number, Including Area Code:

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Common Stock, \$1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer 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

The aggregate market value of the registrant's common stock held by nonaffiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter (based on the closing sales price on the New York Stock Exchange on June 30, 2014) was approximately \$2.0 billion.

The number of shares of the registrant's common stock outstanding at February 20, 2015 was 237,810,325.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

McDERMOTT INTERNATIONAL, INC.

INDEX—FORM 10-K

	PAGE
<u>PART I</u>	
Item 1. <u>Business</u>	1
<u>General</u>	1
<u>Business Segments</u>	1
<u>Dispositions and Other Items</u>	2
<u>Acquisitions</u>	3
<u>Contracts</u>	3
<u>Backlog</u>	4
<u>Competition</u>	5
<u>Joint Ventures</u>	6
<u>Customers</u>	6
<u>Raw Materials and Suppliers</u>	7
<u>Employees</u>	7
<u>Patents and Licenses</u>	7
<u>Hazard Risks and Insurance</u>	7
<u>Governmental Regulations and Environmental Matters</u>	8
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	9
<u>Available Information</u>	12
Item 1A. <u>Risk Factors</u>	12
Item 1B. <u>Unresolved Staff Comments</u>	24
Item 2. <u>Properties</u>	24
Item 3. <u>Legal Proceedings</u>	25

Item 4.	<u>Mine Safety Disclosures</u>	25
	<u>PART II</u>	
	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of</u>	
Item 5.	<u>Equity Securities</u>	26
Item 6.	<u>Selected Financial Data</u>	28
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	28
	<u>General</u>	28
	<u>Critical Accounting Policies and Estimates</u>	30
	<u>Year Ended December 31, 2014 Compared to Year Ended December 31, 2013</u>	37
	<u>Year Ended December 31, 2013 Compared to Year Ended December 31, 2012</u>	40
	<u>Inflation and Changing Prices</u>	43
	<u>Liquidity and Capital Resources</u>	43
	<u>Off-Balance Sheet Arrangements</u>	49

	PAGE
<u>Contractual Obligations</u>	49
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	50
Item 8. <u>Financial Statements and Supplementary Data</u>	53
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012</u>	54
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2014, 2013 and 2012</u>	55
<u>Consolidated Balance Sheets—December 31, 2014 and December 31, 2013</u>	56
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012</u>	57
<u>Consolidated Statements of Equity for the Years Ended December 31, 2014, 2013 and 2012</u>	58
<u>Notes to Consolidated Financial Statements</u>	59
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	100
Item 9A. <u>Controls and Procedures</u>	100
<u>Disclosure Controls and Procedures</u>	100
<u>Management’s Report on Internal Control Over Financial Reporting</u>	100
<u>Changes in Internal Control Over Financial Reporting</u>	100
<u>Report of Independent Registered Public Accounting Firm</u>	101
Item 9B. <u>Other Information</u>	102

PART III