

HORNBECK OFFSHORE SERVICES INC /LA

Form 10-Q

August 08, 2008

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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, 2008

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 001-32108

Hornbeck Offshore Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

72-1375844
(I.R.S. Employer
Identification Number)

103 NORTHPARK BOULEVARD, SUITE 300

COVINGTON, LA 70433

(Address of Principal Executive Offices) (Zip Code)

(985) 727-2000

(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 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

Non-accelerated filer

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 total number of shares of common stock, par value \$.01 per share, outstanding as of June 30, 2008 was 25,852,079.

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HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2008

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	June 30, 2008	December 31, 2007
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,656	\$ 173,552
Accounts receivable, net of allowance for doubtful accounts of \$1,600 and \$1,048, respectively	77,961	77,647
Other current assets	12,398	9,386
Total current assets	109,015	260,585
Property, plant and equipment, net	1,216,543	953,210
Deferred charges, net	37,481	40,522
Other assets	18,532	7,734
Total assets	\$ 1,381,571	\$ 1,262,051
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 17,172	\$ 16,169
Accrued interest	2,159	2,088
Accrued payroll and benefits	6,734	10,777
Deferred revenue	13,990	8,032
Other accrued liabilities	6,335	9,253
Total current liabilities	46,390	46,319
Revolving credit facility	40,000	
Long-term debt, net of original issue discount of \$426 and \$453, respectively.	549,574	549,547
Deferred tax liabilities, net	124,737	101,094
Other liabilities	1,649	2,777
Total liabilities	762,350	699,737
Stockholders' equity:		
Preferred stock: \$0.01 par value; 5,000 shares authorized, no shares issued and outstanding		
Common stock: \$0.01 par value; 100,000 shares authorized, 25,852 and 25,760 shares issued and outstanding, respectively	259	257
Additional paid-in capital	342,905	334,494
Retained earnings	275,887	227,349
Accumulated other comprehensive income	170	214

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Total stockholders' equity	619,221	562,314
Total liabilities and stockholders' equity	\$ 1,381,571	\$ 1,262,051

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

Table of Contents**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008 (Unaudited)	2007	2008 (Unaudited)	2007
Revenues	\$ 104,473	\$ 75,071	\$ 201,993	\$ 143,161
Costs and expenses:				
Operating expenses	43,299	27,520	83,094	54,625
Depreciation	8,290	4,940	15,752	9,747
Amortization	4,718	2,877	9,444	5,258
General and administrative expenses	9,414	7,651	17,992	15,098
	65,721	42,988	126,282	84,728
Gain on sale of assets	2,001	1,852	2,001	1,842
Operating income	40,753	33,935	77,712	60,275
Other income (expense):				
Interest income	235	5,772	1,227	11,780
Interest expense	(1,203)	(4,270)	(3,043)	(9,175)
Other income, net	62	6	75	11
	(906)	1,508	(1,741)	2,616
Income before income taxes	39,847	35,443	75,971	62,891
Income tax expense	(14,392)	(12,806)	(27,433)	(22,773)
Net income	\$ 25,455	\$ 22,637	\$ 48,538	\$ 40,118
Basic earnings per common share	\$ 0.99	\$ 0.88	\$ 1.88	\$ 1.57
Diluted earnings per common share	\$ 0.94	\$ 0.85	\$ 1.79	\$ 1.52
Weighted average basic shares outstanding	25,827	25,639	25,805	25,611
Weighted average diluted shares outstanding	27,157	26,523	27,049	26,362

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

Table of Contents**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(DOLLARS IN THOUSANDS)**

	Six Months Ended June 30,	
	2008	2007
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 48,538	\$ 40,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,752	9,747
Amortization	9,444	5,258
Stock-based compensation expense	5,605	3,434
Provision for bad debts	552	39
Deferred tax expense	24,097	18,604
Amortization of financing costs	1,083	976
Gain on sale of assets	(2,001)	(1,842)
Equity in income from investment	(93)	(73)
Changes in operating assets and liabilities:		
Accounts receivable	(925)	(2,685)
Other current assets	1,191	(2,433)
Deferred drydocking charges	(9,410)	(10,475)
Accounts payable	2,779	7,647
Accrued liabilities and other liabilities	(1,103)	(1,313)
Accrued interest	69	103
Net cash provided by operating activities	95,578	67,105
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash expenditures for MPSV program	(157,184)	(64,162)
Cash expenditures for OSV newbuild program #4	(93,840)	(17,368)
Cash expenditures for TTB newbuild program #2	(7,523)	(29,250)
Acquisition of shore-base port facility	(11,541)	
Net proceeds from the sale of vessels	3,105	5,883
Vessel capital improvements	(14,053)	(6,519)
Non-vessel capital expenditures	(10,981)	(2,508)
Net cash used in investing activities	(292,017)	(113,924)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from borrowings under revolving credit facility	40,000	
Deferred financing costs		(218)
Net cash proceeds from other shares issued	1,587	1,602
Net cash provided by financing activities	41,587	1,384
Effects of exchange rate changes on cash	(44)	25
Net decrease in cash and cash equivalents	(154,896)	(45,410)
Cash and cash equivalents at beginning of period	173,552	474,261

Cash and cash equivalents at end of period	\$ 18,656	\$ 428,851
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:

Cash paid for interest	\$ 11,507	\$ 11,332
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Cash paid for taxes	\$ 3,437	\$ 3,794
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of Presentation**

The accompanying unaudited consolidated financial statements do not include certain information and footnote disclosures required by United States generally accepted accounting principles, or GAAP. The interim financial statements and notes are presented as permitted by instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements have been included and consist only of normal recurring items. The quarterly financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K of Hornbeck Offshore Services, Inc. (together with its subsidiaries, the Company) for the year ended December 31, 2007. The results of operations for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

The consolidated balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

2. Earnings Per Share

Basic earnings per share of common stock was calculated by dividing net income applicable to common stock by the weighted average number of common shares outstanding. Unvested restricted stock is excluded from weighted average number of common shares outstanding for the periods presented. Diluted earnings per share of common stock was calculated by dividing net income by the weighted average number of common shares outstanding during the period plus the effect of dilutive stock options and unvested restricted stock. Weighted average number of common shares outstanding was calculated by using the sum of the shares determined on a daily basis divided by the number of days in the period.

The table below provides details regarding the Company's earnings per share (in thousands, except for per share data):

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 25,455	\$ 22,637	\$ 48,538	\$ 40,118
Weighted average number of shares of common stock outstanding	25,827	25,639	25,805	25,611
Add: Net effect of dilutive stock options and unvested restricted stock (1)(2)(3)	1,330	884	1,244	751
Adjusted weighted average number of shares of common stock outstanding	27,157	26,523	27,049	26,362
Earnings per common share:				
Basic	\$ 0.99	\$ 0.88	\$ 1.88	\$ 1.57
Diluted	\$ 0.94	\$ 0.85	\$ 1.79	\$ 1.52