Helmerich & Payne, Inc.
Form 10-Q
February 02, 2018
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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 quarterly period ended: December 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: 1-4221

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

Delaware	73-0679879
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. Number)

1437 South Boulder Avenue, Tulsa, Oklahoma, 74119

(Address of principal executive office)(Zip Code)

(918) 742-5531

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,

if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

CLASS	OUTSTANDING AT January 31, 2018
Common Stock, $0.10 par value	108,866,812

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(in thousands, except share and per share amounts)

ITEM 1. FINANCIAL STATEMENTS

	December 31, 2017 (in thousands)	September 30, 2017
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 383,664	$ 521,375
Short-term investments	42,541	44,491
Accounts receivable, less reserve of $5,666 at December 31, 2017 and $5,721 at September 30, 2017	535,271	477,074
Inventories	139,066	137,204
Prepaid expenses and other	65,802	55,120
Current assets of discontinued operations	2	3
Total current assets	1,166,346	1,235,267
NONCURRENT ASSETS:		
Investments	83,943	84,026
Net property, plant and equipment, at cost:	4,950,400	5,001,051
Goodwill	69,347	51,705
Intangible assets, net of amortization	78,636	50,785
Other assets	13,424	17,154
Total noncurrent assets	5,195,750	5,204,721
TOTAL ASSETS	$ 6,362,096	$ 6,439,988
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Accounts payable	$ 126,936	$ 135,628
Accrued liabilities	228,732	208,683
Current liabilities of discontinued operations	94	74
Total current liabilities	355,762	344,385
NONCURRENT LIABILITIES:		
Long-term debt less unamortized discount and debt issuance costs	493,168	492,902
Deferred income taxes	830,494	1,332,689

Other	87,852	101,409
Noncurrent liabilities of discontinued operations	4,470	4,012
Total noncurrent liabilities	1,415,984	1,931,012
SHAREHOLDERS' EQUITY:		
Common stock, $.10 par value, 160,000,000 shares authorized,112,008,961 shares and 111,956,875 shares issued as of December 31, 2017 and September 30, 2017 respectively and 108,845,327 shares and 108,604,047 shares outstanding as of December 31, 2017 and September 30, 2017 respectively	11,201	11,196
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	479,914	487,248
Retained earnings	4,278,326	3,855,686
Accumulated other comprehensive income	2,039	2,300
	4,771,480	4,356,430
Treasury stock, at cost	(181,130)	(191,839)
Total shareholders' equity	4,590,350	4,164,591
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,362,096	$ 6,439,988

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended December 31,	
	2017	2016
Operating revenues		
Drilling - U.S. Land	$ 461,640	$ 263,636
Drilling - Offshore	33,366	33,812
Drilling - International Land	63,214	68,031
Other	5,867	3,111
	564,087	368,590
Operating costs and expenses		
Operating costs, excluding depreciation and amortization	373,083	247,679
Depreciation and amortization	143,267	133,847
Research and development	3,234	2,808
General and administrative	46,548	34,262
Income from asset sales	(5,565)	(842)
	560,567	417,754
Operating income (loss) from continuing operations	3,520	(49,164)
Other income (expense)		
Interest and dividend income	1,724	990
Interest expense	(5,773)	(5,055)
Other	530	387
	(3,519)	(3,678)
Income (loss) from continuing operations before income taxes	1	(52,842)
Income tax benefit	(500,641)	(18,288)
Income (loss) from continuing operations	500,642	(34,554)
Loss from discontinued operations before income taxes	(519)	(424)
Income tax provision	17	85
Loss from discontinued operations	(536)	(509)
NET INCOME (LOSS)	$ 500,106	$ (35,063)
Basic earnings per common share:		
Income (loss) from continuing operations	$ 4.57	$ (0.33)
Loss from discontinued operations	$ —	$ —
Net income (loss)	$ 4.57	$ (0.33)
Diluted earnings per common share:		
Income (loss) from continuing operations	$ 4.55	$ (0.33)
Loss from discontinued operations	$ —	$ —
Net income (loss)	$ 4.55	$ (0.33)

Weighted average shares outstanding (in thousands):		
Basic	108,683	108,276
Diluted	109,095	108,276
Dividends declared per common share	$ 0.7000	$ 0.7000

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except per share data)

	Three Months Ended December 31,	
	2017	2016
Net income (loss)	$ 500,106	$ (35,063)
Other comprehensive income (loss), net of income taxes:		
Unrealized appreciation (depreciation) on securities, net of income taxes of $0.2 million at December 31, 2017 and ($7.8) million at December 31, 2016	(601)	12,412
Minimum pension liability adjustments, net of income taxes of ($0.1) million at December 31, 2017 and ($0.2) million at December 31, 2016	340	366
Other comprehensive income (loss)	(261)	12,778
Comprehensive income (loss)	$ 499,845	$ (22,285)

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Three Months Ended December 31,	
	2017	2016 As Adjusted
OPERATING ACTIVITIES:		
Net income (loss)	$ 500,106	$ (35,063)
Adjustment for loss from discontinued operations	536	509
Income (loss) from continuing operations	500,642	(34,554)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	143,267	133,847
Amortization of debt discount and debt issuance costs	266	263
Provision for bad debt	53	2,350
Stock-based compensation	7,087	5,901
Income from asset sales	(5,565)	(842)
Deferred income tax benefit	(503,744)	(17,073)
Other	3,799	10
Change in assets and liabilities:		
Accounts receivable	(53,778)	46,048
Inventories	(1,862)	(1,721)
Prepaid expenses and other	(8,562)	7,288
Accounts payable	(8,997)	15,883
Accrued liabilities	15,324	(69,733)
Deferred income taxes	1,987	2,550
Other noncurrent liabilities	(17,645)	(15,827)
Net cash provided by operating activities from continuing operations	72,272	74,390
Net cash used in operating activities from discontinued operations	(57)	(19)
Net cash provided by operating activities	72,215	74,371
INVESTING ACTIVITIES:		
Capital expenditures	(91,698)	(82,127)
Purchase of short-term investments	(16,183)	(15,025)
Payment for acquisition of business, net of cash acquired	(47,832)	—
Proceeds from sale of short-term investments	18,120	13,900
Proceeds from asset sales	8,749	1,209
Net cash used in investing activities	(128,844)	(82,043)
FINANCING ACTIVITIES:		
Dividends paid	(76,503)	(76,176)
Proceeds from stock option exercises	892	10,253

Payments for employee taxes on net settlement of equity awards	(5,471)	(6,073)
Net cash used in financing activities	(81,082)	(71,996)
Net decrease in cash and cash equivalents	(137,711)	(79,668)
Cash and cash equivalents, beginning of period	521,375	905,561
Cash and cash equivalents, end of period	$ 383,664	$ 825,893

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

THREE MONTHS ENDED DECEMBER 31, 2017

(Unaudited)

(in thousands, except per share amounts)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Earnings	Income	Shares	Amount	Total
	(in thousands, except per share amounts)							
alance, eptember 30, 2017	111,957	$ 11,196	$ 487,248	$ 3,855,686	$ 2,300	3,353	$ (191,839)	$ 4,164,591
omprehensive come (loss):								
et income				500,106				500,106
ther omprehensive loss					(261)			(261)
ividends declared 0.70 per share)				(76,911)				(76,911)
xercise of stock ptions, net of hares withheld for mployee taxes	1	—	(3,976)			(61)	3,485	(491)
umulative effect of dopting ccounting tandards Update 016-09			872	(555)				317
tock issued for ested restricted ock, net of shares ithheld for mployee taxes	51	5	(11,317)			(128)	7,224	(4,088)
tock-based ompensation			7,087					7,087
alance, ecember 31, 2017	112,009	$ 11,201	$ 479,914	$ 4,278,326	$ 2,039	3,164	$ (181,130)	$ 4,590,350

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1.Basis of Presentation

Unless the context otherwise requires, the use of the terms “the Company”, “we”, “us” and “our” in these Notes to Consolidated Condensed Financial Statements refers to Helmerich & Payne, Inc. and its consolidated subsidiaries.

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “Commission”) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by GAAP for complete financial statements and, therefore, should be read in conjunction with the Consolidated Financial Statements and notes thereto in our 2017 Annual Report on Form 10-K and other current filings with the Commission. In the opinion of management, all adjustments, consisting of those of a normal recurring nature, necessary to present fairly the results of the periods presented have been included. The results of operations for the interim periods presented may not necessarily be indicative of the results to be expected for the full year.

On October 1, 2017, we adopted Accounting Standards Update (“ASU”) No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which changes certain aspects of accounting for share-based payments to employees. The standard requires that all excess tax benefits and deficiencies previously recorded as additional paid-in capital be prospectively recorded in income tax expense. The adoption of this ASU could cause volatility in the effective tax rate on a quarter by quarter basis due primarily to fluctuations in the Company's stock price and the timing of stock option exercises and vesting of restricted share grants. The standard requires excess tax benefits to be presented as an operating activity on the statement of cash flows rather than as a financing activity. Excess tax benefits and deficiencies are recorded within the provision for income taxes within the Consolidated Condensed Statements of Operations on a prospective basis as required by the standard; however, we elected to present changes to the statement of cash flows on a retrospective basis as allowed by the standard in order to maintain comparability between fiscal years. As such, prior period cash flows from operations for three months ended December 30, 2016 has been adjusted to reflect an increase of $3.7 million, with a corresponding decrease to cash flows used in financing activities, compared to amounts previously reported. The standard also requires taxes paid for employee withholdings to be presented as a financing activity on the statement of cash flows but this requirement had no impact on our total financing activities as this has been the practice historically. We also elected to account for forfeitures of awards as they occur, instead of estimating a forfeiture amount. We recorded a $0.3 million cumulative-effect adjustment to retained earnings for the differential between the amount of compensation cost previously recorded and the amount that would have been recorded without assuming forfeitures.

In July 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This update simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with the lower of cost or net realizable value test. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We adopted ASU No. 2015-11 on October 1, 2017 with no impact on our consolidated financial statements.

As more fully described in our 2017 Annual Report on Form 10-K, our contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For contracts that are terminated by customers prior to the expirations of their fixed terms, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met. During the three months ended December 31, 2017, early termination revenue was approximately $4.3 million compared to approximately $13.5 million for the three months ended December 31, 2016.

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Depreciation in the Consolidated Condensed Statements of Operations includes abandonments of $7.3 million for the three months ended December 31, 2017 and $0.8 million for the three months ended December 31, 2016.

The functional currency for all our foreign operations is the U.S. dollar. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the end of the period. Income statement accounts are translated at average rates for the period presented. Aggregate foreign currency gains and losses from remeasurement of foreign currency financial statements and foreign currency translations into U.S. dollars are included in direct operating costs and totaled losses of $1.5 million and $1.4 million for the three months ended December 31, 2017 and December 31, 2016, respectively.

Goodwill represents the excess of cost over the net amounts assigned to assets acquired and liabilities assumed in business combinations. Goodwill is not amortized but is tested for potential impairment at the reporting unit level, at a minimum on an annual basis, or when indications of potential impairment exist. All of our goodwill is within our other non-reportable business segment.

Intangible assets with indefinite lives are tested for impairment at least annually in the fourth fiscal quarter and if events occur or circumstances change that would indicate that the value of the assets may be impaired. Finite-lived intangible assets are amortized using the straight-line method over the period in which these assets contribute to our cash flows and are evaluated for impairment in accordance with our policies for valuation of long-lived assets. The following is a summary of our finite-lived and indefinite-lived intangible assets other than goodwill at December 31, 2017 and September 30, 2017:

	December 31, 2017		September 30, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Finite-lived intangible asset:				
Developed technology	$ 70,000	$ 1,983	$ 51,000	$ 1,134
Trade name	5,700	—	—	—
Customer relationships	4,000	—	—	—
	$ 79,700	$ 1,983	$ 51,000	$ 1,134
Indefinite-lived intangible asset:				
Trademark	$ 919		$ 919	

Amortization expense was $0.8 million for the three months ended December 31, 2017 and is estimated to be approximately $5.3 million for fiscal 2018. Estimated intangible amortization is estimated to be approximately $5.8 million for fiscal years 2019-2022 and approximately $5.1 million for fiscal 2023.

2.Business Combinations

On December 8, 2017, we completed an acquisition ("MagVAR Acquisition") of an unaffiliated company, Magnetic Variation Services, LLC ("MagVAR"), which is now a wholly owned subsidiary of the Company. The operations for MagVAR are included with all other non-reportable business segments. At the effective time of the MagVAR Acquisition, MagVAR shareholders received aggregate cash consideration of $47.8 million, net of customary closing adjustments, and certain management members received restricted stock awards covering 213,904 shares of Helmerich & Payne, Inc. common stock. The grant date fair value of the restricted stock will be amortized to expense over the three year vesting period. At closing, $6.0 million of the cash consideration was placed in escrow, to be released to the seller twelve months after the acquisition closing date. The amount placed in escrow is classified as restricted cash and is included in prepaid expenses and other in the Consolidated Condensed Balance Sheet at December 31, 2017. Transaction costs related to the MagVAR Acquisition incurred during the three months ended December 31, 2017 were approximately $0.5 million and are recorded in the Consolidated Condensed

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Statements of Operations within general and administrative expense. We recorded revenue of $0.6 million and a net loss of $0.1 million related to MagVAR during the three months ended December 31, 2017.

Through comprehensive 3D geomagnetic reference modeling, MagVAR provides measurement while drilling ("MWD") survey corrections by identifying and quantifying MWD tool measurement errors in real-time, greatly improving directional drilling performance and wellbore placement. MagVAR technology has been successfully deployed in both onshore and offshore fields in North America, South America, Europe, Africa, Australia and Asia.

The MagVAR Acquisition has been accounted for as a business combination in accordance with ASC 805, Business Combinations, which requires the assets acquired and liabilities assumed to be recorded at their acquisition date fair values. The following table summarizes the purchase price and the preliminary allocation of the fair values of assets acquired and liabilities assumed and separately identifiable intangible assets at the acquisition date (in thousands):

Purchase Price	
Consideration given	
Cash consideration	$ 48,485
Allocation of Purchase Price	
Fair value of assets acquired	
Current assets	$ 2,304
Property, plant and equipment	13
Intangible assets	28,700
Goodwill	17,642
Total assets acquired	$ 48,659
Fair value of liabilities assumed	
Current liabilities	$ 174
Fair value of total assets and liabilities acquired	$ 48,485

Intangible assets acquired consist of developed technology, a trade name and customer relationships. The intangible assets will be amortized under a straight-line method over their estimated useful lives ranging from 5 to 20 years.

The methodologies used in valuing the intangible assets include the multi-period excess earnings method for developed technology, the with and without method for customer relationships and the relief-from-royalty method for the trade name. The values assigned to the assets acquired and liabilities assumed are based on preliminary calculations and valuations of fair value and may be adjusted during the measurement period as we obtain additional information for those estimates. Any changes in the fair values of the assets acquired and liabilities assumed during

the measurement period may result in adjustments to goodwill. As of December 31, 2017, the primary area that is not yet finalized includes the fair values of intangible assets and their estimated useful lives.

The excess of the purchase price over the total net identifiable assets has been recorded as goodwill. Factors comprising goodwill includes the synergies expected from the expanded service capabilities as well as the value of the assembled workforce. The goodwill is reported in the Other segment and will not be allocated to any other reporting unit. The goodwill is not subject to amortization, but will be evaluated at least annually for impairment, or more frequently if impairment indicators are present. The intangible assets and goodwill will be amortized straight line over 15 years for income tax purposes.

The following unaudited pro forma combined financial information is provided for the three months ended December 31, 2017 and 2016, as though the MagVAR Acquisition had been completed as of October 1, 2016. These pro forma combined results of operations have been prepared by adjusting our historical results to include the historical results of MagVAR and reflect pro forma adjustments based on available information and certain assumptions that we believe are reasonable, including application of an appropriate income tax to MagVAR pre-tax

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loss. Additionally, pro forma earnings for the three months ended December 31, 2017 were adjusted to exclude $0.4 million of after-tax transaction costs. The unaudited pro forma combined financial information is provided for illustrative purposes only and is not necessarily indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future. Future results may vary significantly from the results reflected in this pro forma financial information.

	Pro Forma (unaudited) Three Months Ended December 31,	
	2017	2016
	(in thousands)	
Revenues	$ 567,775	$ 370,699
Net income (loss)	$ 499,906	$ (34,889)

3.Discontinued Operations

Current assets of discontinued operations consist of restricted cash to meet remaining current obligations within the country of Venezuela. Current and noncurrent liabilities consist of municipal and income taxes payable and social obligations due within the country of Venezuela. Expenses incurred for in-country obligations are reported as discontinued operations.

4.Earnings per Share

ASC 260, Earnings per Share, requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings per share. We have granted and expect to continue to grant to employees restricted stock grants that contain non-forfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings per share and calculate basic earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Basic earnings per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented.

Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock.

Under the two-class method of calculating earnings per share, dividends paid and a portion of undistributed net income, but not losses, are allocated to unvested restricted stock grants that receive dividends, which are considered participating securities.

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The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended December 31,	
	2017	2016
	(in thousands, except per share amounts)	
Numerator:		
Income (loss) from continuing operations	$ 500,642	$ (34,554)
Loss from discontinued operations	(536)	(509)
Net income (loss)	500,106	(35,063)
Adjustment for basic earnings per share		
Earnings allocated to unvested shareholders	(3,537)	(446)
Numerator for basic earnings per share:		
From continuing operations	497,105	(35,000)
From discontinued operations	(536)	(509)
	496,569	(35,509)
Adjustment for diluted earnings per share:		
Effect of reallocating undistributed earnings of unvested shareholders	10	—
Numerator for diluted earnings per share:		
From continuing operations	497,115	(35,000)
From discontinued operations	(536)	(509)
	$ 496,579	$ (35,509)
Denominator:		
Denominator for basic earnings per share - weighted-average shares	108,683	108,276
Effect of dilutive shares from stock options and restricted stock	412	—
Denominator for diluted earnings per share - adjusted weighted-average shares	109,095	108,276
Basic earnings per common share:		
Income (loss) from continuing operations	$ 4.57	$ (0.33)
Loss from discontinued operations	—	—
Net income (loss)	$ 4.57	$ (0.33)
Diluted earnings per common share:		
Income (loss) from continuing operations	$ 4.55	$ (0.33)
Loss from discontinued operations	—	—
Net income (loss)	$ 4.55	$ (0.33)

We had a net loss for the three months ended December 31, 2016. Accordingly, our diluted earnings per share calculation for the three months ended December 31, 2016 was equivalent to our basic earnings per share calculation since diluted earnings per share excluded any assumed exercise of equity awards. These were excluded because they were deemed to be anti-dilutive, meaning their inclusion would have reduced the reported net loss per share in the applicable period.

The following shares attributable to outstanding equity awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

	Three Months Ended December 31,	
	2017	2016
	(in thousands, except per share amounts)	
Shares excluded from calculation of diluted earnings per share	3,377	555
Weighted-average price per share	$ 63.47	$ 80.63

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5.Financial Instruments and Fair Value Measurement

The estimated fair value of our available-for-sale securities, reflected on our Consolidated Condensed Balance Sheets as Investments, is based on market quotes. The following is a summary of available-for-sale securities, which excludes assets held in a Non-qualified Supplemental Savings Plan:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Equity Securities:				
December 31, 2017	$ 38,473	$ 30,856	$ —	$ 69,329
September 30, 2017	$ 38,473	$ 31,700	$ —	$ 70,173

On an ongoing basis we evaluate the marketable equity securities to determine if any decline in fair value below cost is other-than-temporary. If a decline in fair value below cost is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis established. We review several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near-term prospects of the issuer and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold.

The assets held in the Non-qualified Supplemental Savings Plan are carried at fair value which totaled $14.6 million at December 31, 2017 and $13.9 million at September 30, 2017. The assets are comprised of mutual funds that are measured using Level 1 inputs.

Short-term investments include securities classified as trading securities. Both realized and unrealized gains and losses on trading securities are included in other income (expense) in the Consolidated Condensed Statements of Operations. The securities are recorded at fair value.

The majority of cash equivalents are invested in highly liquid money-market mutual funds invested primarily in direct or indirect obligations of the U.S. Government. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use the fair value hierarchy established in ASC 820-10 to measure fair value to prioritize the inputs:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

- Level 2 — Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

At December 31, 2017, our financial instruments utilizing Level 1 inputs include cash equivalents, equity securities with active markets and money market funds that are classified as restricted assets. The current portion of restricted amounts are included in prepaid expenses and other, and the noncurrent portion are included in other assets. Also included is cash denominated in a foreign currency that we have elected to classify as restricted to be used to settle

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the remaining liabilities of discontinued operations. For these items, quoted current market prices are readily available.

At December 31, 2017, Level 2 inputs include U.S. Agency issued debt securities, municipal bonds and corporate bonds measured using broker quotations that utilize observable market inputs.

Our financial instruments measured using Level 3 inputs consist of potential earnout payments associated with the acquisition of MOTIVE Drilling Technologies, Inc. in fiscal 2017. The valuation techniques used for determining the fair value of the potential earnout payments use a Monte Carlo simulation which evaluates numerous potential earnings and pay out scenarios.

The following table summarizes our assets and liabilities measured at fair value presented in our Consolidated Condensed Balance Sheet as of December 31, 2017:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Recurring fair value measurements:				
Short-term investments:				
Corporate and municipal debt securities	$ 15,716	$ —	$ 15,716	$ —
U.S. government and federal agency securities	26,825	26,825	—	—
Total short-term investments	42,541	26,825	15,716	—
Cash and cash equivalents	383,664	383,664	—	—
Investments	69,329	69,329	—	—
Other current assets	38,226	38,226	—	—
Other assets	6,798	6,798	—	—
Total assets measured at fair value	$ 540,558	$ 524,842	$ 15,716	$ —
Liabilities:				
Contingent earnout liability	$ 17,356	$ —	$ —	$ 17,356

The following information presents the supplemental fair value information about long-term fixed-rate debt at December 31, 2017 and September 30, 2017:

	December 31, 2017	September 30, 2017
	(in millions)	

Carrying value of long-term fixed-rate debt	$ 493.2	$ 492.9
Fair value of long-term fixed-rate debt	$ 527.8	$ 529.0

The fair value for the $500 million fixed-rate debt was based on broker quotes at December 31, 2017. The notes are classified within Level 2 as they are not actively traded in markets.

6.Shareholders' Equity

The Company has authorization from the Board of Directors for the repurchase of up to four million shares per calendar year. The repurchases may be made using our cash and cash equivalents or other available sources. We had no purchases of common shares in either the first quarter of fiscal 2018 or fiscal 2017.

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Components of accumulated other comprehensive income (loss) were as follows:

	December 31, 2017	September 30, 2017
	(in thousands)	
Pre-tax amounts:		
Unrealized appreciation on securities	$ 30,856	$ 31,700
Unrealized actuarial loss	(28,412)	(28,873)
	$ 2,444	$ 2,827
After-tax amounts:		
Unrealized appreciation on securities	$ 19,469	$ 20,070
Unrealized actuarial loss	(17,430)	(17,770)
	$ 2,039	$ 2,300

The following is a summary of the changes in accumulated other comprehensive income (loss), net of tax, by component for the three months ended December 31, 2017:

	Three Months Ended December 31, 2017		
	Unrealized Appreciation (Depreciation) on Available-for-sale Securities	Defined Benefit Pension Plan	Total
	(in thousands)		
Balance at September 30, 2017	$ 20,070	$ (17,770)	$ 2,300
Other comprehensive loss before reclassifications	(601)	—	(601)
Amounts reclassified from accumulated other comprehensive income	—	340	340
Net current-period other comprehensive income (loss)	(601)	340	(261)
Balance at December 31, 2017	$ 19,469	$ (17,430)	$ 2,039

The following provides detail about accumulated other comprehensive income (loss) components which were reclassified to the Condensed Consolidated Statements of Operations:

Reclassified from

Details About Accumulated Other Comprehensive Income (Loss) Components	Accumulated Other Comprehensive Income (Loss) Three Months Ended December 31, 2017	2016	Affected Line Item in the Consolidated Statements of Operations
	(in thousands)		
Amortization of net actuarial loss on defined benefit pension plan	$ 461	$ 575	General and administrative
	(121)	(209)	Income tax provision
Total reclassifications for the period	$ 340	$ 366	Net of tax

7.Cash Dividends

The $0.70 per share cash dividend declared September 6, 2017, was paid December 1, 2017. On December 5, 2017, a cash dividend of $0.70 per share was declared for shareholders of record on February 12, 2018, payable March 1, 2018. The dividend payable is included in accounts payable in the Consolidated Condensed Balance Sheets.

8.Stock-Based Compensation

On March 2, 2016, the Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan (the “2016 Plan”) was approved by our stockholders. The 2016 Plan, among other things, authorizes the Human Resources Committee of the Board to

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grant non-qualified stock options and restricted stock awards to selected employees and to non-employee Directors. Restricted stock may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than market price of the underlying stock on the date of grant. Stock options expire 10 years after the grant date. Awards outstanding in the Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan and the Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan (the "2010 Plan") remain subject to the terms and conditions of those plans. During the three months ended December 31, 2017, there were 660,002 non-qualified stock options and 403,339 shares of restricted stock awards granted under the 2016 Plan. An additional 213,904 of restricted stock grants were awarded outside of the 2010 Plan.

A summary of compensation cost for stock-based payment arrangements recognized in general and administrative expense is as follows:

	Three Months Ended December 31,	
	2017	2016
	(in thousands)	
Compensation expense		
Stock options	$ 1,963	$ 1,652
Restricted stock	5,124	4,249
	$ 7,087	$ 5,901

STOCK OPTIONS

The following summarizes the weighted-average assumptions utilized in determining the fair value of options granted during the three months ended December 31, 2017 and 2016:

	2017	2016
Risk-free interest rate	2.2 %	2.0 %
Expected stock volatility	36.1 %	39.4 %
Dividend yield	4.8 %	3.4 %
Expected term (in years)	6.0	5.5

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. Treasury securities for the expected term of the option.

Expected Volatility Rate. Expected volatility is based upon historical experience of the daily closing price of our stock over a period which approximates the expected term of the option.

Expected Dividend Yield. The expected dividend yield is based on our current dividend yield.

Expected Term. The expected term of the options granted represents the period of time that they are expected to be outstanding. We estimate the expected term of options granted based on historical experience with grants and exercises.

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A summary of stock option activity under all existing long-term incentive plans for the three months ended December 31, 2017 is presented in the following tables:

	Three Months Ended December 31, 2017			
	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at October 1, 2017	3,278	$ 56.41		
Granted	660	58.52		
Exercised	(183)	35.07		
Outstanding at December 31, 2017	3,755	$ 57.82	6.43	$ 36.1
Vested and expected to vest at December 31, 2017	3,755	$ 57.82	6.43	$ 36.1
Exercisable at December 31, 2017	2,388	$ 55.15	4.92	$ 29.2

The weighted-average fair value of options granted in the first quarter of fiscal 2018 and 2017 was $12.94 and $22.42, respectively.

The total intrinsic value of options exercised during the three months ended December 31, 2017 and 2016 was $4.1 million and $11.6 million, respectively.

As of December 31, 2017, the unrecognized compensation cost related to stock options was $13.7 million which is expected to be recognized over a weighted-average period of 3.4 years.

RESTRICTED STOCK

Restricted stock awards consist of our common stock and are time-vested over three to six years. We recognize compensation expense on a straight-line basis over the vesting period. The fair value of restricted stock awards under the 2016 Plan is determined based on the closing price of our shares on the grant date. As of December 31, 2017, there was $54.2 million of total unrecognized compensation cost related to unvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 3.0 years.

A summary of the status of our restricted stock awards as of December 31, 2017 and changes in restricted stock outstanding during the three months then ended is presented below:

	Three Months Ended December 31, 2017	
	Shares (in thousands)	Weighted Average Exercise Price
Unvested at October 1, 2017	659	$ 70.76
Granted	617	59.39
Vested (1)	(248)	71.06
Forfeited	(1)	69.48
Unvested on December 31, 2017	1,027	$ 63.72

(1)The number of restricted stock awards vested includes shares that we withheld on behalf of our employees to satisfy the statutory tax withholding requirements.

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9.Debt

At December 31, 2017 and September 30, 2017, we had the following unsecured long-term debt outstanding:

	Principal		Unamortized Discount and Debt Issuance Costs	
	December 31, 2017	September 30, 2017	December 31, 2017	September 30, 2017
	(in thousands)			
Unsecured senior notes issued March 19, 2015:				
Due March 19, 2025	$ 500,000	$ 500,000	$ (6,832)	$ (7,098)
	500,000	500,000	(6,832)	(7,098)
Less long-term debt due within one year	—	—	—	—
Long-term debt	$ 500,000	$ 500,000	$ (6,832)	$ (7,098)

On March 19, 2015, we issued $500 million of 4.65 percent 10-year unsecured senior notes. Interest is payable semi-annually on March 15 and September 15. The debt discount is being amortized to interest expense using the effective interest method. The debt issuance costs are amortized straight-line over the stated life of the obligation, which approximates the effective interest method.

We have a $300 million unsecured revolving credit facility which will mature on July 13, 2021. The credit facility has $75 million available to use as letters of credit. The majority of any borrowings under the facility would accrue interest at a spread over the London Interbank Offered Rate (LIBOR). We also pay a commitment fee based on the unused balance of the facility. Borrowing spreads as well as commitment fees are determined according to a scale based on a ratio of our total debt to total capitalization. The spread over LIBOR ranges from 1.125 percent to 1.75 percent per annum and commitment fees range from .15 percent to .30 percent per annum. Based on our debt to total capitalization on December 31, 2017, the spread over LIBOR and commitment fees would be 1.125 percent and .15 percent, respectively. There is one financial covenant in the facility which requires us to maintain a funded leverage ratio (as defined) of less than 50 percent. The credit facility contains additional terms, conditions, restrictions and covenants that we believe are usual and customary in unsecured debt arrangements for companies of similar size and credit quality including a limitation that priority debt (as defined in the agreement) may not exceed 17.5% of the net worth of the Company. As of December 31, 2017, there were no borrowings, but there were three letters of credit outstanding in the amount of $39.3 million. At December 31, 2017, we had $260.7 million available to borrow under our $300 million unsecured credit facility.

At December 31, 2017, we had a $12 million unsecured standalone line of credit facility, which is purposed for the issuance of bid and performance bonds, as needed, for international operations. The Company currently has three bonds issued under this line for a total value of $5.6 million. Two of the bonds are denominated in a foreign currency

which rose in value against the dollar increasing the value from September 30, 2017 by $0.2 million.

The applicable agreements for all unsecured debt contain additional terms, conditions and restrictions that we believe are usual and customary in unsecured debt arrangements for companies that are similar in size and credit quality. At December 31, 2017, we were in compliance with all debt covenants.

10. Income Taxes

On December 22, 2017 the United States enacted the Tax Cuts and Jobs Act (the "Act") which made significant changes to the U.S. federal income tax law. The Act is a comprehensive bill containing several provisions which the Company has been and is still analyzing.

The Act includes a reduction to the federal statutory corporate income tax rate. Since the Company has a September 30 fiscal year end, the rate reduction will be phased in over two fiscal years. As such, IRC Section 15 provides the Company will be taxed at a blended 24.5 percent federal statutory income tax rate in fiscal 2018 and then the enacted 21 percent federal income tax rate in subsequent fiscal years.

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The Company recorded tax benefits of $500.6 million and $18.3 million for the first three months of fiscal 2018 and 2017, respectively. The amounts represent effective tax rates of 50,064,100.0 percent and 34.6 percent respectively. The unusual effective tax rate calculated for the first three months of fiscal 2018 is due to the recording of discrete tax benefits of $500.6 million (of which $500.4 million relates to an estimate of the re-measurement of the Company's net deferred tax liability as a result of the new corporate income tax rate from the Act). Other effective tax rate differences from the U.S. federal statutory rate are due to incremental state and foreign income taxes and non-deductible permanent items.

The staff of the U.S. Securities and Exchange Commission ("SEC") has recognized the complexity of reflecting the impacts of the Act, and on December 22, 2017 issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting (the measurement period). SAB 118 describes three scenarios (or "buckets") associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the Act being enacted.

At December 31, 2017 we have not completed our accounting for the tax effects of enactment of the Act; however, in certain cases, as described below, we have made reasonable estimates of the effects on our existing deferred tax balances. In other cases, we have not been able to make a reasonable estimate and continue to account for those items based on our existing accounting under ASC 740. These items, some of which do not apply until fiscal 2019, include the impact on the deferred taxes of the Company's foreign operations, the deductibility of certain executive compensation and the related impact to deferred taxes, deductibility of certain employee fringe benefits, and related state income tax adjustments.

Provisional amounts

Deferred tax assets and liabilities: We re-measured certain deferred tax assets and liabilities based upon the rates at which they are expected to reverse in the future, which is generally 21 percent. However, we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. Included within our net deferred tax liability are deferred state income tax balances, which are recorded net of federal tax expense. While many states have not publicly commented on the changes in the Act, we have estimated the value of our state deferred tax balances based upon existing law and related guidance. The provisional benefit recorded to the re-measurement of our net deferred tax liability was $500.4 million.

Foreign tax effects: The Act provides for a one-time transition tax based on total post-1986 earnings and profits ("E&P") that were previously deferred from US income taxes. We have estimated no transition tax liability as a result of the Act. This amount may change when we finalize the calculation of post-1986 foreign E&P previously deferred from US federal taxation and finalize the amounts held in cash or other specified assets.

At its January 10, 2018 board meeting, the FASB discussed several topics related to income tax accounting for tax reform. One topic was the reclassification of certain tax effects stranded in accumulated other comprehensive income (“AOCI”). According to FASB guidance, the tax effect of certain temporary differences are required to be reported within AOCI, which we have historically followed. As a result of the Act and the requirement to re-measure deferred tax assets/liabilities, we recorded approximately $0.3 million of tax benefit from continuing operations for the items which are normally reported as a component of AOCI. As of the date of this report, the FASB has not issued definitive guidance on whether this treatment should change, or which of the alternative proposed methodologies will ultimately be available. For this reason, we continue to follow official guidance, and will report any potential change in a subsequent reporting period.

For the next 12 months, we cannot predict with certainty whether we will achieve ultimate resolution of any uncertain tax positions associated with our U.S. and international operations that could result in increases or

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decreases of our unrecognized tax benefits. However, we do not expect the increases or decreases to have a material effect on our results of operations or financial position.

11.Commitments and Contingencies

Equipment, parts and supplies are ordered in advance to promote efficient construction and capital improvement progress. At December 31, 2017, we had purchase commitments for equipment, parts and supplies of approximately $53.5 million.

We are contingently liable to sureties in respect of bonds issued by the sureties in connection with certain commitments entered into by us in the normal course of business. We have agreed to indemnify the sureties for any payments made by them in respect of such bonds.

During the ordinary course of our business, contingencies arise resulting from an existing condition, situation or set of circumstances involving an uncertainty as to the realization of a possible gain contingency. We account for gain contingencies in accordance with the provisions of ASC 450, Contingencies, and, therefore, we do not record gain contingencies or recognize income until realized. The property and equipment of our Venezuelan subsidiary was seized by the Venezuelan government on June 30, 2010. Our wholly-owned subsidiaries, Helmerich & Payne International Drilling Co. (“HPIDC”) and Helmerich & Payne de Venezuela, C.A., filed a lawsuit in the United States District Court for the District of Columbia on September 23, 2011 against the Bolivarian Republic of Venezuela, Petroleos de Venezuela, S.A. and PDVSA Petroleo, S.A. Our subsidiaries seek damages for the taking of their Venezuelan drilling business in violation of international law and for breach of contract. While there exists the possibility of realizing a recovery, we are currently unable to determine the timing or amounts we may receive, if any, or the likelihood of recovery. No gain contingencies are recognized in our Consolidated Financial Statements.

The Company and its subsidiaries are parties to various other pending legal actions arising in the ordinary course of our business. We maintain insurance against certain business risks subject to certain deductibles. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves and insurance, that the ultimate resolution of such items will not have a material adverse impact on our financial condition, cash flows, or results of operations. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

On November 8, 2013, the United States District Court for the Eastern District of Louisiana approved the previously disclosed October 30, 2013 plea agreement between our wholly owned subsidiary, HPIDC, and the United States

Department of Justice, United States Attorney's Office for the Eastern District of Louisiana ("DOJ"). The court's approval of the plea agreement resolved the DOJ's investigation into certain choke manifold testing irregularities that occurred in 2010 at one of HPIDC's offshore platform rigs in the Gulf of Mexico. We also engaged in discussions with the Inspector General's office of the Department of Interior ("DOI") regarding the same events that were the subject of the DOJ's investigation. Although we do not presently anticipate any further action by the DOI in this matter, we can provide no assurance as to the timing or eventual outcome of the DOI's consideration of the matter.

12.Segment Information

We operate principally in the contract drilling industry. The contract drilling operations consist mainly of contracting Company-owned drilling equipment primarily to large oil and gas exploration companies. Our contract drilling business includes the following reportable operating segments: U.S. Land, Offshore and International Land. Each reportable operating segment is a strategic business unit that is managed separately. Our primary international areas of operation include Argentina, Bahrain, Colombia, U.A.E. and other South American and Middle Eastern countries. Other includes additional non-reportable operating segments. Revenues included in Other consist of

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rental income as well as technology services provided for the directional drilling process and MWD survey corrections. Consolidated revenues and expenses reflect the elimination of intercompany transactions.

We evaluate segment performance based on income or loss from continuing operations (segment operating income) before income taxes which includes:

- revenues from external and internal customers
- direct operating costs
- depreciation and
- allocated general and administrative costs

but excludes corporate costs for other depreciation, income from asset sales and other corporate income and expense.

General and administrative costs are allocated to the segments based primarily on specific identification and, to the extent that such identification is not practical, on other methods which we believe to be a reasonable reflection of the utilization of services provided.

Segment operating income for all segments is a non-GAAP financial measure of our performance, as it excludes certain general and administrative expenses, corporate depreciation, income from asset sales and other corporate income and expense. We consider segment operating income to be an important supplemental measure of operating performance by presenting trends in our core businesses. We use this measure to facilitate period-to-period comparisons in operating performance of our reportable segments in the aggregate by eliminating items that affect comparability between periods. We believe that segment operating income is useful to investors because it provides a means to evaluate the operating performance of the segments on an ongoing basis using criteria that are used by our internal decision makers. Additionally, it highlights operating trends and aids analytical comparisons. However, segment operating income has limitations and should not be used as an alternative to operating income or loss, a performance measure determined in accordance with GAAP, as it excludes certain costs that may affect our operating performance in future periods.

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Summarized financial information of our reportable segments for the three months ended December 31, 2017 and 2016 is shown in the following tables:

(in thousands)	External Sales	Inter-Segment	Total Sales	Segment Operating Income (Loss)
December 31, 2017				
Contract Drilling				
U.S. Land	$ 461,640	$ —	$ 461,640	$ 24,745
Offshore	33,366	—	33,366	8,725
International Land	63,214	—	63,214	3,534
	558,220	—	558,220	37,004
Other	5,867	220	6,087	(7,317)
	564,087	220	564,307	29,687
Eliminations	—	(220)	(220)	—
Total	$ 564,087	$ —	$ 564,087	$ 29,687

(in thousands)	External Sales	Inter-Segment	Total Sales	Segment Operating Income (Loss)
December 31, 2016				
Contract Drilling				
U.S. Land	$ 263,636	$ —	$ 263,636	$ (30,888)
Offshore	33,812	—	33,812	6,784
International Land	68,031	—	68,031	825
	365,479	—	365,479	(23,279)
Other	3,111	208	3,319	(2,049)
	368,590	208	368,798	(25,328)
Eliminations	—	(208)	(208)	—
Total	$ 368,590	$ —	$ 368,590	$ (25,328)

The following table reconciles segment operating income (loss) per the table above to income (loss) from continuing operations before income taxes as reported on the Consolidated Condensed Statements of Operations:

	Three Months Ended December 31,

	2017	2016
	(in thousands)	
Segment operating income (loss)	$ 29,687	$ (25,328)
Income from asset sales	5,565	842
Corporate general and administrative costs and corporate depreciation	(31,732)	(24,678)
Operating income (loss)	3,520	(49,164)
Other income (expense)		
Interest and dividend income	1,724	990
Interest expense	(5,773)	(5,055)
Other	530	387
Total unallocated amounts	(3,519)	(3,678)
Income (loss) from continuing operations before income taxes	$ 1	$ (52,842)

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The following table presents total assets by reportable segment:

	December 31, 2017	September 30, 2017
	(in thousands)	
Total assets		
U.S. Land	$ 4,956,429	$ 4,967,074
Offshore	103,852	99,533
International Land	421,322	413,392
Other	182,001	133,085
	5,663,604	5,613,084
Investments and corporate operations	698,490	826,901
Total assets from continued operations	6,362,094	6,439,985
Discontinued operations	2	3
	$ 6,362,096	$ 6,439,988

The following table presents revenues from external customers by country based on the location of service provided:

	Three Months Ended December 31,	
	2017	2016
	(in thousands)	
Operating Revenues		
United States	$ 500,758	$ 300,559
Argentina	48,829	48,082
Colombia	11,996	9,371
Other Foreign	2,504	10,578
Total	$ 564,087	$ 368,590

13.Pensions and Other Post-retirement Benefits

The following provides information at December 31, 2017 related to the Company-sponsored domestic defined benefit pension plan:

Components of Net Periodic Benefit Cost

	Three Months Ended December 31,	
	2017	2016
	(in thousands)	
Interest cost	$ 1,014	$ 975
Expected return on plan assets	(1,386)	(1,299)
Recognized net actuarial loss	461	575
Net pension expense	$ 89	$ 251

Employer Contributions

We did not contribute to the Pension Plan during the three months ended December 31, 2017. We could make contributions for the remainder of fiscal 2018 to fund distributions in lieu of liquidating assets.

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14.Supplemental Cash Flow Information

Capital expenditures on the Consolidated Condensed Statements of Cash Flows do not include additions which have been incurred but not paid for as of the end of the period. The following table reconciles total capital expenditures incurred to total capital expenditures in the Consolidated Condensed Statements of Cash Flows:

	Three Months Ended December 31,	
	2017	2016
	(in thousands)	
Capital expenditures incurred	$ 96,146	$ 92,141
Additions incurred in prior year but paid for in current year	20,004	9,465
Additions incurred but not paid for as of the end of the period	(24,452)	(19,479)
Capital expenditures per Consolidated Statements of Cash Flows	$ 91,698	$ 82,127

15.International Risk Factors

We currently have foreign operations in South America and the Middle East. In the future, we may further expand the geographic reach of our operations. As a result, we are exposed to certain political, economic and other uncertainties not encountered in U.S. operations, including increased risks of social unrest, strikes, terrorism, war, kidnapping of employees, nationalization, forced negotiation or modification of contracts, difficulty resolving disputes and enforcing contract provisions, expropriation of equipment as well as expropriation of oil and gas exploration and drilling rights, taxation policies, foreign exchange restrictions and restrictions on repatriation of income and capital, currency rate fluctuations, increased governmental ownership and regulation of the economy and industry in the markets in which we operate, economic and financial instability of national oil companies, and restrictive governmental regulation, bureaucratic delays and general hazards associated with foreign sovereignty over certain areas in which operations are conducted.

South American countries, in particular, have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and general economic and political instability. From time to time these risks have impacted our business. For example, on June 30, 2010, the Venezuelan government expropriated 11 rigs and associated real and personal property owned by our Venezuelan subsidiary. Prior thereto, we also experienced currency devaluation losses in Venezuela and difficulty repatriating U.S. dollars to the United States. Today, our contracts for work in foreign countries generally provide for payment in U.S. dollars. However, in Argentina we are

paid in Argentine pesos. The Argentine branch of one of our second-tier subsidiaries then remits U.S. dollars to its U.S. parent by converting the Argentine pesos into U.S. dollars through the Argentine Foreign Exchange Market and repatriating the U.S. dollars.

Estimates from published sources indicate that Argentina is a highly inflationary country, which is defined as cumulative inflation rates exceeding 100 percent in the most recent three-year period based on inflation data published by the respective governments. Nonetheless, all of our foreign operations use the U.S. dollar as the functional currency and local currency monetary assets and liabilities are remeasured into U.S. dollars with gains and losses resulting from foreign currency transactions included in current results of operations.

In December 2015, the Argentine peso experienced a sharp devaluation resulting in an aggregate foreign currency loss of $8.5 million for the three months ended December 31, 2015. Subsequent to the devaluation, the Argentine peso stabilized and the Argentine Foreign Exchange Market controls now place fewer restrictions on repatriating U.S. dollars. These changes have reduced our current foreign currency exchange rate risk in Argentina. For the three months ended December 31, 2017 and 2016, we experienced aggregate foreign currency losses of $1.5 million and $1.4 million, respectively. However, in the future, we may incur larger currency devaluations, foreign exchange restrictions or other difficulties repatriating U.S. dollars from Argentina or elsewhere which could have a material adverse impact on our business, financial condition and results of operations.

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Because of the impact of local laws, our future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which we hold only a minority interest or pursuant to arrangements under which we conduct operations under contract to local entities. While we believe that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on our operations or revenues, there can be no assurance that we will, in all cases, be able to structure or restructure our operations to conform to local law (or the administration thereof) on terms acceptable to us.

Although we attempt to minimize the potential impact of such risks by operating in more than one geographical area, during the three months ended December 31, 2017, approximately 11.2 percent of our consolidated operating revenues were generated from international locations in our contract drilling business. During the three months ended December 31, 2017, approximately 96.2 percent of operating revenues from international locations were from operations in South America. Substantially all of the South American operating revenues were from Argentina and Colombia. The future occurrence of one or more international events arising from the types of risks described above could have a material adverse impact on our business, financial condition and results of operations.

16.Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes virtually all existing revenue recognition guidance. Throughout 2016 and in early 2017, additional accounting guidance was issued to clarify the not yet effective revenue recognition guidance issued in May 2014. The ASU provides for full retrospective, modified retrospective, or use of the cumulative effect method during the period of adoption. During 2017, we established an implementation team and began a detailed analysis of our contracts in place during the retrospective period. The requirements in ASU No. 2014-09 are effective during interim and annual periods beginning after December 15, 2017. In fiscal 2017, we performed an initial assessment of the impact of ASU No. 2014-09 with the assistance of an outside consultant. Our assessment was based on a bottoms-up approach, in which we analyzed our existing contracts and current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to our contracts. We are in the process of implementing the appropriate changes to our business processes, systems or controls to support recognition and disclosure under the new standard. Our findings and progress toward implementation of the standard are periodically reported to management. Currently, we do not expect the impact of adopting ASU No. 2014-09 to be material to our total net revenues and operating income (loss) or to our consolidated balance sheet because our performance obligations, which determine when and how revenue is recognized, are not materially changed under the new standard, thus, revenue associated with the majority of our contracts will continue to be recognized as services are provided. We will adopt this standard on October 1, 2018 and, based on our evaluation to date, we anticipate using the modified retrospective method; however, we are still in the process of finalizing our documentation and assessment of the impact of the standard on our financial results and related disclosures. We anticipate additional disclosures in future filings related to our planned adoption of this standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 will require organizations that lease assets — referred to as “lessees” — to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU No. 2016-02, a lessee will be required to recognize assets

and liabilities for leases with lease terms of more than 12 months. Lessor accounting remains substantially similar to current GAAP. In addition, disclosures of leasing activities are to be expanded to include qualitative along with specific quantitative information. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU No. 2016-02 initially mandated a modified retrospective transition method with an option to use certain practical expedients. Since a portion of our contract drilling revenue will be subject to this new leasing guidance, we expect to adopt this new lease guidance in the first quarter of fiscal 2019 concurrently with ASU No. 2014-09. In addition, the Company expects to apply certain transition practical expedients allowed by the standard. We are in the process of implementing changes to our business processes, systems and controls to support recognition and disclosure under the new standard. We are also in the process of implementing a lease accounting software to control the lease data. We have performed a scoping and preliminary assessment of the impact of this new standard. Our findings and progress toward implementation of the standard are periodically reported to management. As a lessor, we expect the adoption of this new standard will apply to our drilling contracts. As a lessee, this standard will primarily impact us in situations

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where we lease real estate and equipment, for which we will recognize a right-of-use asset and a corresponding lease liability on our consolidated balance sheet. In January 2018, the FASB issued a proposed ASU affecting the amendments in ASU No. 2016-02 providing entities with an additional (and optional) transition method of adoption resulting in a cumulative effect adjustment upon adoption. The amendments in the proposed update would provide lessors with a practical expedient to not separate nonlease components from the related lease components if certain requirements are met. The Company expects to adopt the new lease guidance utilizing the new proposed transition method of adoption as included in the proposed ASU, if codified.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The provisions of ASU No. 2016-01 are effective for interim and annual periods starting after December 15, 2017. At adoption, a cumulative-effect adjustment to beginning retained earnings will be recorded. We will adopt this standard on October 1, 2018. Subsequent to adoption, changes in the fair value of our available-for-sale investments will be recognized in net income and the effect will be subject to stock market fluctuations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses. The ASU sets forth a "current expected credit loss" (CECL) model which requires companies to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This standard is effective for interim and annual periods beginning after December 15, 2019. We are currently assessing the impact this standard will have on our consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). The ASU is intended to reduce diversity in practice in presentation and classification of certain cash receipts and cash payments by providing guidance on eight specific cash flow issues. The ASU is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted, including adoption during an interim period. We are currently assessing the impact this standard will have on our consolidated statement of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows - Restricted Cash. The ASU requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The ASU is effective for interim and annual periods beginning after December 31, 2017 and early adoption is permitted, including adoption during an interim period. We will adopt the guidance beginning October 1, 2018 applied retrospectively to all periods presented. The adoption is not expected to have a material impact on our consolidated financial position or cash flows.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU No. 2017-07 will change how employers that sponsor defined benefit pension and/or other post-retirement benefit plans present the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item(s) that includes the service cost and outside of any subtotal of operating income, if one is presented. This standard is effective for annual periods or any interim periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted. We do not expect the new guidance to have a material impact on our financial condition or results of operation.

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17.Guarantor and Non-Guarantor Financial Information

In March 2015, Helmerich & Payne International Drilling Co. (“the issuer”), a 100 percent owned subsidiary of Helmerich & Payne, Inc. (“parent”, “the guarantor”), issued senior unsecured notes with an aggregate principal amount of $500.0 million. The notes are fully and unconditionally guaranteed by the parent. No subsidiaries of parent currently guarantee the notes, subject to certain provisions that if any subsidiary guarantees certain other debt of the issuer or parent, then such subsidiary will provide a guarantee of the obligations under the notes.

In connection with the notes, we are providing the following condensed consolidating financial information in accordance with the Securities and Exchange Commission disclosure requirements. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements. Condensed consolidating financial information for the issuer, Helmerich & Payne International Drilling Co., and parent, guarantor, Helmerich & Payne, Inc. is shown in the tables below.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

	Three Months Ended December 31, 2017				
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating revenue	$ —	$ 495,006	$ 69,097	$ (16)	$ 564,087
Operating costs and other	4,178	481,648	74,946	(205)	560,567
Operating income (loss) from continuing operations	(4,178)	13,358	(5,849)	189	3,520
Other income, net	261	1,641	541	(189)	2,254
Interest expense	(28)	(5,700)	(45)	—	(5,773)
Equity in net income of subsidiaries	507,420	21,365	—	(528,785)	—
Income (loss) from continuing operations before income taxes	503,475	30,664	(5,353)	(528,785)	1
Income tax expense (benefit)	3,369	(478,594)	(25,416)	—	(500,641)
Income from continuing operations	500,106	509,258	20,063	(528,785)	500,642

Loss from discontinued operations before income taxes	—	—	(519)	—	(519)
Income tax provision	—	—	17	—	17
Loss from discontinued operations	—	—	(536)	—	(536)
Net income	$ 500,106	$ 509,258	$ 19,527	$ (528,785)	$ 500,106

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CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Three Months Ended December 31, 2017				
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net income	$ 500,106	$ 509,258	$ 19,527	$ (528,785)	$ 500,106
Other comprehensive income (loss), net of income taxes:					
Unrealized depreciation on securities, net	—	(601)	—	—	(601)
Minimum pension liability adjustments, net	102	238	—	—	340
Other comprehensive income (loss)	102	(363)	—	—	(261)
Comprehensive income	$ 500,208	$ 508,895	$ 19,527	$ (528,785)	$ 499,845

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CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

	Three Months Ended December 31, 2016				
	Guarantor/ Parent	Issuer Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating revenue	$ —	$ 297,448	$ 71,159	$ (17)	$ 368,590
Operating costs and expenses	3,460	339,502	75,023		