

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, 2019
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 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

73-0618660

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

5 Greenway Plaza, Suite 100, Houston, Texas 77046

(Address of principal executive offices) (Zip Code)

(281) 406-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

On January 29, 2020, the Company filed a Form 25 to delist its shares of common stock, par value \$0.01 per share, from trading on the New York Stock Exchange as of February 10, 2020, and to deregister its shares of common stock under Section 12(b) of the Act. The deregistration under Section 12(b) will be effective upon 90 days after filing the Form 25.

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer 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 Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The aggregate market value of our common stock held by non-affiliates on June 28, 2019, the last business day of the registrant's most recently completed second quarter, was \$115.8 million. As of February 28, 2020 there were 15,044,676 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Item 1. Business

General

Unless otherwise indicated, the terms “Company,” “Parker,” “we,” “us,” “its” and “our” refer to Parker Drilling Company together with its subsidiaries and “Parker Drilling” refers solely to the parent, Parker Drilling Company. Parker Drilling was incorporated in the state of Oklahoma in 1954 after having been established in 1934. In March 1976, the state of incorporation of the Company was changed to Delaware. Our principal executive offices are located at 5 Greenway Plaza, Suite 100, Houston, Texas 77046.

We are an international provider of contract drilling and drilling-related services as well as rental tools and services. We have operated in over 60 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world. We currently have operations in 19 countries. Parker has participated in numerous world records for deep and extended-reach drilling land rigs and is an industry leader in quality, health, safety, and environmental practices.

Recent Developments

Stockholder Approval of Stock Splits Transaction and Delisting of our Common Stock from the New York Stock Exchange

On January 9, 2020, the Company held a special meeting of stockholders (the “Special Meeting”). At the Special Meeting, the holders of a majority of the Company’s issued and outstanding shares of common stock entitled to vote approved amendments to the Company’s certificate of incorporation, as amended (the “Certificate of Incorporation”), to effect a reverse stock split of the Company’s common stock (the “Reverse Stock Split”), followed immediately by a forward stock split of the Company’s common stock (the “Forward Stock Split,” and together with the Reverse Stock Split, the “Stock Splits”), at a ratio (i) not less than 1-for-5 and not greater than 1-for-100, in the case of the Reverse Stock Split, and (ii) not less than 5-for-1 and not greater than 100-for-1, in the case of the Forward Stock Split. If the Stock Splits are effectuated, then as a result of the Stock Splits, a stockholder owning immediately prior to the effective time of the Reverse Stock Split fewer than a minimum number of shares, which, depending on the stock split ratios chosen by the Board, would be between 5 and 100, would be paid \$30.00, without interest, for each share of common stock held by such holder immediately prior to the effective time. Cashed out stockholders would no longer be stockholders of the Company. On January 29, 2019, in connection with the anticipated Stock Splits, the Company filed a Form 25 with the Securities and Exchange Commission (the “SEC”) to voluntarily delist its common stock from trading on the New York Stock Exchange (“NYSE”) and to deregister its common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The delisting occurred ten calendar days after the filing of the Form 25 so that trading was suspended on February 10, 2020, prior to the market opening. Following the delisting, the Company’s Board has continued to evaluate updated ownership data to ascertain the aggregate costs within the ranges of stock split ratios that the Company’s stockholders approved at the Special Meeting. Based upon this analysis, the Board will continue to consider the appropriate ratio to effectuate the Stock Splits. As previously disclosed, the Board, at its sole discretion, may elect to abandon the Stock Splits and the overall deregistration process for any reason, including if it determines that effectuating the Stock Splits would be too costly. Assuming the Board determines to proceed with the Stock Splits and the overall deregistration process, the Company will file with the State of Delaware certificates of amendment to the Company’s Certificate of Incorporation to effectuate the Stock Splits. Following the effectiveness of the Stock Splits, the Company will file a Form 15 with the SEC certifying that it has less than 300 stockholders, which will terminate the registration of the Company’s common stock under Section 12(g) of the Exchange Act. As a result, the Company would cease to file annual, quarterly, current, and other reports and documents with the SEC, and stockholders will cease to receive annual reports and proxy statements. Even if the Company effectuates the Stock Splits and terminates its registration under Section 12(g) of the Exchange Act, the Company intends to continue to prepare audited annual and unaudited quarterly financial statements and to make such information available to its stockholders on a voluntary basis. However, the Company would not be required to do so by law and there is no assurance that even if the Company did make such information available that it would continue to do so in the future.

Change in Chief Executive Officer

On July 11, 2019, Gary Rich, the Company’s former President and Chief Executive Officer, entered into a transition and separation agreement (the “Separation Agreement”) with the Company and Parker Drilling Management Services Ltd. In accordance with the Separation Agreement, on December 31, 2019, Mr. Rich retired from his positions of President and Chief Executive Officer of the Company and resigned from the Company’s Board of Directors (the “Board”). The Separation Agreement was amended on February 21, 2020. Pursuant to the amended Separation Agreement, two-thirds of Mr. Rich’s outstanding restricted stock options and outstanding restricted stock units were forfeited, while on February 21, 2020, the remaining one-third of the

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restricted stock options fully vested, one-half of the remaining restricted stock units vested and one-half of the remaining restricted stock units were paid as cash.

As the Company searches for a Chief Executive Officer to replace Mr. Rich, the Board has established the Office of the Chief Executive Officer Committee to perform the executive functions and responsibilities formerly performed by Mr. Rich. Mr. Eugene Davis, the Company's Chairman of the Board, was appointed to serve as the Chair of the Office of the Chief Executive Officer Committee and, in such capacity, has been designated by the Board as the Company's principal executive officer.

Emergence from Voluntary Reorganization under Chapter 11

Overview

On December 12, 2018, prior to the commencement of the voluntary petitions under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") (the "Chapter 11 Cases"), Parker Drilling and certain of its U.S. subsidiaries (collectively, the "Debtors") entered into a restructuring support agreement (as amended on January 28, 2019, the "RSA") with certain significant holders of (1) 7.50% Senior Notes, due 2020 (the "7.50% Note Holders") issued pursuant to the indenture (the "7.50% Notes Indenture") dated July 30, 2013 (the "7.50% Notes"), by and among Parker Drilling, the subsidiary guarantors party thereto and Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), (2) 6.75% Senior Notes, due 2022 (the "6.75% Note Holders") issued pursuant to the indenture (the "6.75% Notes Indenture") dated January 22, 2014 (the "6.75% Notes" and together with the 7.50% Notes, the "Senior Notes"), by and among Parker Drilling, the subsidiary guarantors party thereto and the Trustee, (3) the Predecessor's common stock (the "Predecessor Common Stock") and (4) the Predecessor's 7.25% Series A Mandatory Convertible Preferred Stock (the "Predecessor Preferred Stock" and such holders to support a restructuring (the "Restructuring").

On December 12, 2018 (the "Petition Date"), the Debtors filed a prearranged plan of reorganization (the "Plan") and commenced the Chapter 11 Cases in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). The Plan was confirmed by the Bankruptcy Court on March 7, 2019, and the Debtors emerged from the bankruptcy proceedings on March 26, 2019 (the "Plan Effective Date").

Fresh Start Accounting

Upon emergence from bankruptcy, we adopted fresh start accounting ("Fresh Start Accounting") in accordance with FASB ASC Topic No. 852, Reorganizations ("Topic 852"), which resulted in the Company becoming a new entity for financial reporting purposes. References to "Successor" relate to the financial position and results of operations of the reorganized Company as of and subsequent to March 31, 2019. References to "Predecessor" relate to the financial position of the Company prior to, and results of operations through and including, March 31, 2019. As a result of the adoption of Fresh Start Accounting and the effects of the implementation of the Plan, the Company's consolidated financial statements of the Successor (as of and subsequent to March 31, 2019), are not comparable to its consolidated financial statements of the Predecessor.

For more information relating to Fresh Start Accounting, see Note 3 - Fresh Start Accounting in Item 8. Financial Statements and Supplementary Data.

Business Overview

Our business is comprised of two business lines: (1) rental tools services and (2) drilling services. We report our rental tools services business as two reportable segments: (1) U.S. rental tools and (2) International rental tools. We report our drilling services business as two reportable segments: (1) U.S. (lower 48) drilling and (2) International & Alaska drilling.

For information regarding our reportable segments and operations by geographic areas, see Note 17 - Reportable Segments in Item 8. Financial Statements and Supplementary Data and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Rental Tools Services Business

In our rental tools services business, we provide premium rental equipment and services to exploration & production companies, drilling contractors, and service companies on land and offshore in the U.S. and select international markets. Tools we provide include standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, drill collars, pressure control equipment, including blowout preventers, and more. We also provide well construction services, which includes tubular running services and downhole tool rentals, well intervention services, which includes whipstocks, fishing, and related services, as well as inspection and machine shop support. Rental tools are used during drilling and/or workover programs and are requested by the customer as needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

U.S. Rental Tools

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Our U.S. rental tools segment maintains an inventory of rental tools for deepwater drilling, completion, workover, and production applications at facilities in Louisiana, Texas, Wyoming, North Dakota, and West Virginia. We also provide well construction and well intervention services. Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and natural gas prices and our customers' access to project financing. A portion of our U.S. rental tools business supplies tubular goods and other equipment to offshore Gulf of Mexico ("GOM") customers.

International Rental Tools

Our International rental tools segment maintains an inventory of rental tools and provides well construction, well intervention, and surface and tubular services to our customers in the Middle East, Latin America, Europe, and Asia-Pacific regions.

Drilling Services Business

In our drilling services business, we drill oil, natural gas, and geothermal wells for customers globally. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our operations and management ("O&M") service in which our customers own their drilling rigs, but choose Parker to operate and manage the rigs for them. The nature and scope of activities involved in drilling a well is similar whether it is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project-related services, such as engineering, procurement, project management, commissioning of customer-owned drilling rig projects, operations execution, and quality and safety management. We have extensive experience and expertise in drilling geologically challenging wells and in managing the logistical and technological challenges of operating in remote, harsh, and ecologically sensitive areas.

U.S. (lower 48) Drilling

Our U.S. (lower 48) drilling segment provides drilling services with our GOM barge drilling rig fleet and markets our U.S. (lower 48) based O&M services. We also provide O&M services for a customer-owned rig offshore California. Our GOM barge rigs drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama, and Texas. The majority of these wells are drilled in shallow water depths ranging from 6 to 12 feet. Our rigs are suitable for a variety of drilling programs, from inland coastal waters requiring shallow draft barges, to open water drilling in both state and federal waters. Contract terms typically consist of well-to-well or multi-well programs, most commonly ranging from 20 to 180 days.

International & Alaska Drilling

Our International & Alaska drilling segment provides drilling services, using both Company-owned rigs and O&M contracts, and project-related services. The drilling markets in which this segment operates have one or more of the following characteristics:

- customers typically are major, independent, or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure, requiring a large inventory of spare parts and other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments (such as high pressures, deep depths, hazardous or geologically challenging conditions and sensitive environments) requiring specialized equipment and considerable experience to drill; and
- O&M contracts that generally cover periods of one year or more.

We have rigs under contract in Alaska, Kazakhstan, the Kurdistan region of Iraq, Guatemala, Mexico, and on Sakhalin Island, Russia. In addition, we have O&M and ongoing project-related services for customer-owned rigs in Alaska, Kuwait, Canada, Indonesia, and on Sakhalin Island, Russia.

Our Business Strategy

We intend to successfully compete in select energy service businesses that benefit our customers' exploration, appraisal, and development programs, and in which operational execution is the key measure of success. We plan to do this by:

- Consistently delivering innovative, reliable, and efficient results that help our customers reduce their operational risks and manage their operating costs; and
- Over the longer-term, investing to improve and grow our existing business lines and to expand the scope of products and services we offer, both organically and through acquisitions.

Customers and Scope of Operations

Our customer base consists of major, independent, national oil and natural gas E&P companies, and other oil field service providers. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment. In 2019, our largest customer, Exxon Neftegas Limited (“ENL”), accounted for approximately 29.3 percent and 31.2 percent of our total consolidated revenues for the nine months ended December 31, 2019 and the three months ended March 31, 2019, respectively. For information regarding our reportable segments and operations by geographic areas, see Note 17 - Reportable Segments in Item 8. Financial Statements and Supplementary Data and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Competition

We operate in competitive businesses characterized by high capital requirements, rigorous technological challenges, evolving regulatory requirements, and challenges in securing and retaining qualified field personnel.

In drilling markets, most contracts are awarded on a competitive bidding basis and operators often consider reliability, efficiency, and safety in addition to price. We have been successful in differentiating ourselves from competitors through our drilling performance and safety record, and through providing services that help our customers manage their operating costs and mitigate their operational risks.

In international drilling markets, we compete with a number of international drilling contractors as well as local contractors. Although local drilling contractors often have lower labor and mobilization costs, we are generally able to distinguish ourselves from these companies based on our technical expertise, safety performance, quality of service, and experience. We believe our expertise in operating in challenging environments has been a significant factor in securing contracts.

In the GOM barge drilling market, we compete with a small number of contractors. We have the largest number and greatest diversity of rigs available in this market, allowing us to provide equipment and services that are well-matched to customers’ requirements. We believe the market for drilling contracts will continue to be competitive with continued focus on reliability, efficiency, and safety, in addition to price.

In rental tools markets, we compete with both large and small suppliers. We compete against other rental tool companies based on breadth of inventory, availability of product, quality of product and service, as well as price. In the U.S. market, our network of locations provides broad and efficient product availability for our customers. In international markets, some of our rental tools business is obtained in conjunction with our drilling and O&M projects.

Contracts

Most drilling contracts are awarded based on competitive bidding. The rates specified in drilling contracts vary depending upon the type of rig employed, equipment and services supplied, crew complement, geographic location, term of the contract, competitive conditions, and other variables. Our contracts generally provide for an operating dayrate during drilling operations, with lower rates for periods of equipment downtime, customer stoppage, well-to-well rig moves, adverse weather, or other conditions, and no payment when certain conditions continue beyond contractually established parameters. Contracts typically provide for a different dayrate or specified fixed payments during mobilization or demobilization. The terms of most of our contracts are based on either a specified period of time or a specified number of wells. The contract term in some instances may be extended by the customer exercising options for an additional time period or for the drilling of additional wells, or by exercising a right of first refusal. Most of our contracts allow termination by the customer prior to the end of the term without penalty under certain circumstances, such as the loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. See “Certain of our contracts are subject to cancellation by our customers without penalty and with little or no notice” in Item 1A. Risk Factors. Certain contracts require the customer to pay an early termination fee if the customer terminates a contract before the end of the term without cause. Our project services contracts include engineering, procurement, and project management consulting, for which we are compensated through labor rates and cost-plus arrangements for non-labor items.

Rental tool contracts are typically on a dayrate basis with rates based on type of equipment and competitive conditions. Depending on market and competitive conditions, rental rates may be applied from the time the equipment leaves our facility or only when the equipment is actually in use by the customer. Rental contracts generally require the customer to pay for lost-in-hole or damaged equipment. Some of the services provided in the rental tools segment are billed per well section with pricing determined by the length and diameter of the well section. In addition, some tools, such as whipstocks, are sold to the customer.

Seasonality

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Our rigs in the inland waters of the GOM are subject to severe weather during certain periods of the year, particularly during hurricane season from June through November, which could halt operations for prolonged periods or limit contract opportunities during that period. In addition, mobilization, demobilization, or well-to-well movements of rigs in arctic regions can be affected by seasonal changes in weather or weather so severe that conditions are deemed too unsafe to operate.

Backlog

Backlog is our estimate of the dollar amount of drilling contract revenues we expect to realize in the future as a result of executing awarded contracts. The Company's backlog of firm orders was approximately \$701.3 million as of December 31, 2019 and \$243.4 million as of December 31, 2018 and is primarily attributable to the International & Alaska segment of our drilling services business. We estimate that, as of December 31, 2019, 28.3 percent of our backlog will be recognized as revenues within one year.

The amount of actual revenues earned and the actual periods during which revenues are earned could be different from amounts disclosed in our backlog calculations due to a lack of predictability of various factors, including the scope of equipment and service provided, unscheduled repairs, maintenance requirements, weather delays, contract terminations or renegotiations, new contracts, and other factors. See "Our backlog of contracted revenues may not be fully realized and may reduce significantly in the future, which may have a material adverse effect on our financial position, results of operations or cash flows" in Item 1A. Risk Factors.

Insurance and Indemnification

Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, cratering, oil and natural gas well fires and explosions, natural disasters, pollution, mechanical failure, and damage or loss during transportation. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather, and marine life infestations. These hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations, or environmental damage, which could lead to claims by third parties or customers, suspension of operations, and contract terminations. We have had accidents in the past due to some of these hazards.

Our contracts provide for varying levels of indemnification between ourselves and our customers. We maintain insurance with respect to personal injuries, damage to or loss of equipment, and various other business risks, including well control and subsurface risk. Our insurance policies typically have 12-month policy periods.

Our insurance program provides coverage, to the extent not otherwise paid by the customer under the indemnification provisions of the drilling or rental tool contract, for liability due to well control events and liability arising from third-party claims, including wrongful death and other personal injury claims by our personnel as well as claims brought on behalf of individuals who are not our employees. Generally, our insurance program provides liability coverage up to \$350.0 million, with retentions of \$1.0 million or less.

Well control events generally include an unintended flow from the well that cannot be contained by using equipment on site (e.g., a blowout preventer), by increasing the weight of drilling fluid or by diverting the fluids safely into production. Our insurance program provides coverage for third-party liability claims relating to sudden and accidental pollution from a well control event up to \$350.0 million per occurrence. A separate limit of \$50.0 million exists to cover the costs of re-drilling of the well and well control costs under a Contingent Operators Extra Expense policy. For our rig-based operations, remediation plans are in place to prevent the spread of pollutants and our insurance program provides coverage for removal, response, and remedial actions. We retain the risk for liability not indemnified by the customer below the retention and in excess of our insurance coverage.

Based upon a risk assessment and due to the high cost, high self-insured retention, and limited availability of coverage for windstorms in the GOM, we have elected not to purchase windstorm insurance for our barge rigs in the GOM. Although we have retained the risk for physical loss or damage for these rigs arising from a named windstorm, we have procured insurance coverage for removal of a wreck caused by a windstorm.

Our contracts provide for varying levels of indemnification from our customers and may require us to indemnify our customers in certain circumstances. Liability with respect to personnel and property is customarily assigned on a "knock-for-knock" basis, which means we and our customers customarily assume liability for our respective personnel and property regardless of fault. In addition, our customers typically indemnify us for damage to our equipment down-hole, and in some cases, our subsea equipment, generally based on replacement cost minus some level of depreciation. However, in certain contracts we may assume liability for damage to our customer's property and other third-party property on the rig and in other contracts we are not indemnified by our customers for damage to their property and, accordingly, could be liable for any such damage under applicable law.

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Our customers typically assume responsibility for and indemnify us from any loss or liability resulting from pollution, including clean-up and removal and third-party damages, arising from operations under the contract and originating below the surface of the land or water, including losses or liability resulting from blowouts or cratering of the well. In some contracts, however, we may have liability for damages resulting from such pollution or contamination caused by our gross negligence or, in some cases, ordinary negligence.

We generally indemnify the customer for legal and financial consequences of spills of industrial waste, lubricants, solvents and other contaminants (other than drilling fluid) on the surface of the land or water originating from our rigs or equipment. We typically require our customers to retain liability for spills of drilling fluid which circulates down-hole to the drill bit, lubricates the bit and washes debris back to the surface. Drilling fluid often contains a mixture of synthetics, the exact composition of which is prescribed by the customer based on the particular geology of the well being drilled.

The above description of our insurance program and the indemnification provisions typically found in our contracts is only a summary as of the date hereof and is general in nature. Our insurance program and the terms of our drilling and rental tool contracts may change in the future. In addition, the indemnification provisions of our contracts may be subject to differing interpretations, and enforcement of those provisions may be limited by public policy and other considerations.

If any of the aforementioned operating hazards results in substantial liability and our insurance and contractual indemnification provisions are unavailable or insufficient, our financial condition, operating results, or cash flows may be materially adversely affected.

Employees

The following table sets forth the composition of our employee base:

	December 31,	
	2019	2018
U.S. rental tools	270	232
International rental tools	796	717
U.S. (lower 48) drilling	193	89
International & Alaska drilling	1,230	1,208
Corporate	181	179
Total employees	2,670	2,425

Environmental Considerations

Our operations are subject to numerous U.S. federal, state, and local laws and regulations, as well as the laws and regulations of other jurisdictions in which we operate, pertaining to the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency ("EPA") and state equivalents, issue regulations to implement and enforce laws pertaining to the environment, which often require costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences; restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities; limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive, and other protected areas; require remedial action to clean up pollution from former operations; and impose substantial liabilities for pollution resulting from our operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect our operations and financial position, as well as those of similarly situated entities operating in the same markets. While our management believes that we comply with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

As an owner or operator of both onshore and offshore facilities, including mobile offshore drilling rigs in or near waters of the United States, we may be liable for the costs of clean up and damages arising out of a pollution incident to the extent set forth in federal statutes such as the Federal Water Pollution Control Act (commonly known as the Clean Water Act ("CWA")), as amended by the Oil Pollution Act of 1990 ("OPA"); the Outer Continental Shelf Lands Act ("OCSLA"); the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"); the Resource Conservation and Recovery Act ("RCRA"); the Clean Air Act ("CAA"); the Endangered Species Act ("ESA"); the Occupational Safety and Health Act; the Emergency Planning and Community Right to Know Act ("EPCRA"); and the Hazardous Materials Transportation Act ("HMTA") as well as comparable state laws. In addition, we may also be subject to civil claims arising out of any such incident.

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The CWA and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters, including jurisdictional wetlands, is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Federal and state regulatory agencies can impose administrative, civil and criminal penalties as well as other enforcement mechanisms for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations. The CWA and analogous state laws provide for administrative, civil and criminal penalties for unauthorized discharges and, impose rigorous requirements for spill prevention and response planning, as well as substantial potential liability for the costs of removal, remediation, and damages in connection with any unauthorized discharges.

The OPA and related regulations impose a variety of regulations on “responsible parties” related to the prevention of spills of oil or other hazardous substances and liability for damages resulting from such spills. “Responsible parties” include the owner or operator of a vessel, pipeline or onshore facility, or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns strict and joint and several liability for oil removal costs and a variety of public and private damages to each responsible party. The OPA also requires some facilities to demonstrate proof of financial responsibility and to prepare an oil spill response plan. Failure to comply with ongoing requirements or inadequate cooperation in a spill may subject a responsible party to civil or criminal enforcement actions.

The OCSLA authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. The Bureau of Safety and Environmental Enforcement (“BSEE”) regulates the design and operation of well control and other equipment at offshore production sites, implementation of safety and environmental management systems, and mandatory third-party compliance audits, among other requirements. Violations of environmentally related lease conditions or regulations issued pursuant to the OCSLA can result in substantial civil and criminal penalties as well as potential court injunctions curtailing operations and the cancellation of leases. Such enforcement liabilities, delay, or restriction of activities can result from either governmental or citizen prosecution.

High-profile and catastrophic events, such as the 2010 Macondo (Deepwater Horizon) well incident, have heightened governmental and environmental focus on the oil and gas industry. From time to time, legislative proposals have been introduced that would materially limit or prohibit offshore drilling in certain areas. Our operations, and those of our customers, are impacted by restrictions on drilling in certain areas of the U.S. Gulf of Mexico and elsewhere, including the adoption of additional safety requirements and policies regarding the approval of drilling permits and restrictions on development and production activities in the U.S. Gulf of Mexico.

On July 28, 2016, BSEE adopted a well-control rule that will be implemented in phases over the next several years (the “2016 Well Control Rule”). This rule includes more stringent design requirements for well-control equipment used in offshore drilling operations. BSEE was directed to review the 2016 Well Control Rule pursuant to Executive Order (“EO”) 13783 (“Promoting Energy Independence and Economic Growth”) and Section 7 of EO 13795 (“Implementing an America-First Offshore Energy Strategy”), to determine if the rule should be revised to encourage energy exploration and production on the Outer Continental Shelf, while still providing for safe and environmentally responsible exploration and production activities. On May 2, 2019, BSEE issued a revised rule intended to reduce the regulatory burden of the 2016 Well Control Rule. We are continuing to evaluate the cost and effect that the revised rule will have on our operations.

CERCLA (also known as “Superfund”) and comparable state laws impose liability without regard to fault or the legality of the activity, on certain classes of persons who are considered to be responsible for the release of hazardous substances into the environment. While CERCLA exempts crude oil from the definition of hazardous substances for purposes of the statute, our operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to a broad class of potentially responsible parties for all response and remediation costs, as well as natural resource damages. In addition, persons responsible for release of hazardous substances under CERCLA may be subject to joint and several liability for the cost of cleaning up the hazardous substances released into the environment and for damages to natural resources.

RCRA and comparable state laws regulate the management and disposal of solid and hazardous wastes. Current RCRA regulations specifically exclude from the definition of hazardous waste “drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal energy.” However, these wastes and other wastes may be otherwise regulated by EPA or state agencies. Moreover, ordinary industrial wastes, such as paint wastes, spent solvents, laboratory wastes, and used oils, may be regulated as hazardous waste. Although the costs of managing solid and hazardous wastes may be significant and new regulations may be imposed, we do not expect to experience more burdensome costs than competitor companies involved in similar drilling operations.

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The CAA and similar state laws and regulations restrict the emission of air pollutants and may also impose various monitoring and reporting requirements. In addition, those laws may require us to obtain permits for the construction, modification, or operation of certain projects or facilities and the utilization of specific equipment or technologies to control emissions. For example, the EPA has adopted regulations known as “RICE MACT” that require the use of “maximum achievable control technology” to reduce formaldehyde and other emissions from certain stationary reciprocating internal combustion engines, which can include portable engines used to power drilling rigs. In addition, in May 2016, the EPA finalized rules regarding criteria for aggregating multiple small surface sites into a single source for air-quality permitting purposes applicable to the oil and gas industry. This rule could cause small facilities, on an aggregate basis, to be deemed a major source, thereby triggering more stringent air permitting requirements. The EPA has also adopted new rules under the CAA that require the reduction of volatile organic compound emissions from certain fractured and refractured natural gas wells for which well completion operations are conducted and further require that most wells use reduced emission completions, also known as “green completions.” These regulations also establish specific new requirements regarding emissions from production-related wet seal and reciprocating compressors, and from pneumatic controllers and storage vessels. Further, the EPA lowered the National Ambient Air Quality Standard (“NAAQS”) for ozone from 75 to 70 parts per billion in October 2015. Pursuant to an order issued by the U.S. District Court for the Northern District of California in lawsuits brought by a coalition of states and environmental groups against the EPA for failing to complete initial area designations under the standard by the October 2017 statutory deadline, EPA completed all remaining initial area designations on July 17, 2018. State implementation of the revised NAAQS could result in stricter permitting requirements or delay, or limit our ability or our customers’ ability to obtain permits, and result in increased expenditures for pollution control equipment and decreased demand for our services.

Some scientific studies have suggested that emissions of certain gases including carbon dioxide and methane, commonly referred to as “greenhouse gases” (“GHGs”), may be contributing to the warming of the atmosphere resulting in climate change. There are a variety of legislative and regulatory developments, proposals, requirements, and initiatives that have been introduced in the U.S. and international regions in which we operate that are intended to address concerns that emissions of GHGs are contributing to climate change and these may increase costs of compliance for our drilling services or our customer’s operations. Among these developments, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change (“UNFCC”) established a set of emission targets for GHGs that became binding on all those countries that had ratified it. The Kyoto Protocol was followed by the Paris Agreement of the 2015 UNFCC. The Paris Agreement entered into force on November 4, 2016 and, as of late 2017, had been ratified by 174 of the 197 parties to the UNFCC. However, on August 4, 2017, the United States formally communicated to the United Nations its intent to withdraw from participation in the Paris Agreement, which entails a four-year process and will be complete by November 2020. In response to the announced withdrawal plan, a number of state and local governments in the United States have expressed intentions to take GHG-related actions.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations, and result in a disruption of our customers’ operations.

Hydraulic fracturing is a process sometimes used in the completion of oil and natural gas wells whereby water, other liquids, sand, and chemicals are injected under pressure into subsurface formations to stimulate natural gas and, oil production. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating, or preparing to regulate hydraulic fracturing, directly and indirectly. Many state governments require the disclosure of chemicals used in the fracturing process and, due to concerns raised relating to potential impacts of hydraulic fracturing, including on groundwater quality and seismic activity, legislative and regulatory efforts at the federal level and in some state and local jurisdictions have been initiated to render permitting and compliance requirements more stringent for hydraulic fracturing or prohibit the activity altogether. We do not directly engage in hydraulic fracturing activities. However, these and other developments could cause operational delays or increased costs in exploration and production, which could adversely affect the demand for our products or services.

The federal ESA was established to protect endangered and threatened species. Pursuant to the ESA, if a species is listed as threatened or endangered, restrictions may be imposed on activities adversely affecting that species’ habitat. Similar protections are offered to migratory birds under the Migratory Bird Treaty Act. We may conduct operations on natural gas and oil leases in areas where certain species that are listed as threatened or endangered are known to exist and where other species that potentially could be listed as threatened or endangered may exist. On February 11, 2016, the U.S. Fish and Wildlife Service (“FWS”) published a final policy which alters how it may designate critical habitat and suitable habitat areas that it believes are necessary for survival

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of a threatened or endangered species. A critical habitat or suitable habitat designation could result in further material restrictions and may materially delay or prohibit land access for natural gas and oil development. The designation of previously unprotected species as threatened or endangered in areas where operations are conducted could cause us to incur increased costs arising from species protection measures or could result in limitations on our customer's exploration and production activities that could have an adverse impact on their ability to develop and produce reserves. If our customers were to have a portion of their leases designated as critical or suitable habitat, it could have a material adverse impact on the demand for our products and services.

Our operations are also governed by laws and regulations related to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require us to obtain certain miscellaneous permits, licenses and certificates with respect to our operations. The kind of permits, licenses and certificates required by our operations depend upon a number of factors. We believe we have the necessary permits, licenses and certificates that are material to the conduct of our existing business.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are made available free of charge on our website at <http://www.parkerdrilling.com> as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. Except to the extent explicitly stated herein, documents and information on our website are not incorporated by reference herein. Additionally, our reports, proxy and information statements and our other SEC filings are available on an Internet website maintained by the SEC at <http://www.sec.gov>.

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Item 1A. Risk Factors

Our businesses involve a high degree of risk. You should consider carefully the risks and uncertainties described below and the other information included in this Form 10-K, including Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data. While these are the risks and uncertainties we believe are most important for you to consider, they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually occurs, our business, financial condition, or results of operations could be adversely affected.

Risks Related to our Emergence from Bankruptcy

We recently emerged from bankruptcy, which may adversely affect our business and relationships.

It is possible that our having filed for bankruptcy and our recent emergence from bankruptcy may adversely affect our business and relationships with customers, vendors, contractors, employees or suppliers. Due to uncertainties, many risks exist, including the following:

- key suppliers, vendors or other contract counterparties may terminate their relationships with us or require additional financial assurances or enhanced performance from us;
- our ability to renew existing contracts and compete for new business may be adversely affected
- our ability to attract, motivate and/or retain key executives may be adversely affected; and
- competitors may take business away from us, and our ability to attract and retain customers may be negatively impacted.

The occurrence of one or more of these events could have a material and adverse effect on our operations, financial condition and reputation. We cannot assure you that having been subject to bankruptcy protection will not adversely affect our operations in the future.

Our actual financial results after emergence from bankruptcy may not be comparable to our historical financial information as a result of the implementation of the Plan and the transactions contemplated thereby.

In connection with the disclosure statement we filed with the Bankruptcy Court, and the hearing to consider confirmation of the Plan, we prepared projected financial information to demonstrate to the Bankruptcy Court the feasibility of the Plan and our ability to continue operations upon our emergence from bankruptcy. Those projections were prepared solely for the purpose of bankruptcy proceedings and have not been, and will not be, updated on an ongoing basis and should not be relied upon by investors. At the time they were prepared, the projections reflected numerous assumptions concerning our anticipated future performance with respect to prevailing and anticipated market and economic conditions that were and remain beyond our control and that may not materialize. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks and the assumptions underlying the projections and/or valuation estimates may prove to be wrong in material respects. Actual results may vary significantly from those contemplated by the projections. As a result, investors should not rely on these projections.

Upon our emergence from bankruptcy, the composition of our board of directors changed significantly.

Pursuant to the Plan, the composition of the Board changed significantly. Our Board currently consists of six directors, only one of whom served on the Board prior to our emergence from bankruptcy. The new directors have different backgrounds, experiences and perspectives from those individuals who previously served on our Board and, thus, may have different views on the issues that will determine our future. There is no guarantee that our new Board will pursue, or pursue in the same manner, our current strategic plans. As a result, our future strategy and plans may differ materially from those of the past.

Risks Related to Our Business

The volatility of prices for oil and natural gas has had, and may continue to have, a material adverse effect on our financial condition, results of operations, and cash flows.

Oil and natural gas prices and market expectations regarding potential changes in these prices are volatile and are likely to continue to be volatile in the future. Increases or decreases in oil and natural gas prices and expectations of future prices could have an impact on our customers' long-term exploration and development activities, which in turn could materially affect our business and financial performance. Furthermore, higher oil and natural gas prices do not necessarily result immediately in increased drilling activity because our customers' expectations of future oil and natural gas prices typically drive demand for our drilling services. The oil and natural gas industry has historically experienced periodic downturns, which have been characterized by

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diminished demand for oilfield services and downward pressure on the prices we charge. A prolonged downturn in the oil and natural gas industry could result in a further reduction in demand for oilfield services and could continue to adversely affect our financial condition, results of operations, and cash flows. Oil and natural gas prices and demand for our services also depend upon numerous factors which are beyond our control, including:

- the level of supply and demand for oil and natural gas;
- the cost of exploring for, producing, and delivering oil and natural gas;
- expectations regarding future energy prices;
- advances in exploration, development, and production technology;
- the ability of the Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and prices;
- the level of production by non-OPEC countries;
- the adoption or repeal of laws and government regulations, both in the United States and other countries;
- the imposition or lifting of economic sanctions against certain regions, persons, and other entities;
- the number of ongoing and recently completed rig construction projects which may create overcapacity;
- local and worldwide military, political, and economic events, including events in the oil producing regions of Africa, the Middle East, Russia, Central Asia, Southeast Asia, and Latin America;
- weather conditions and natural disasters;
- the occurrence or threat of epidemic or pandemic diseases, such as the recent outbreak of coronavirus, or any government response to such occurrence or threat;
- expansion or contraction of worldwide economic activity, which affects levels of consumer and industrial demand;
- the rate of discovery of new oil and natural gas reserves;
- domestic and foreign tax policies;
- acts of terrorism in the United States or elsewhere;
- increased demand for alternative energy sources and electric vehicles, including government initiatives to promote the use of renewable energy sources and the growing public sentiment around alternatives to oil and gas; and
- the policies of various governments regarding exploration and development of their oil and natural gas reserves.

Demand for the majority of our services is substantially dependent on the levels of expenditures by the oil and natural gas industry. A substantial or an extended decline in oil and natural gas prices could result in lower expenditures by the oil and natural gas industry, which could have a material adverse effect on our financial condition, results of operations, and cash flows.

Demand for the majority of our services depends substantially on the level of expenditures for the exploration, development, and production of oil or natural gas reserves by the major, independent, and national oil and natural gas E&P companies and large integrated service companies that comprise our customer base. These expenditures are generally dependent on the industry’s view of future oil and natural gas prices and are sensitive to the industry’s view of future economic growth and the resulting impact on demand for oil and natural gas, including a heightened emphasis by E&P companies’ investors demanding cash flow returns which has limited the number of wells being drilled. Declines in oil and natural gas prices have and may continue to result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us, any of which could continue to have a material adverse effect on our financial condition, results of operations, and cash flows. Historically, when drilling activity and spending decline, utilization and dayrates also decline and drilling may be reduced or discontinued, resulting in an oversupply of drilling rigs. Sustained low oil prices have in turn caused a significant decline in the demand for drilling services over the last several years. Furthermore, operators implemented significant reductions in capital spending in their budgets, including the cancellation or deferral of existing programs, and are expected to continue to operate under reduced budgets for the foreseeable future.

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We have a significant amount of high interest debt. Our debt levels and debt agreement restrictions may have significant consequences for our future prospects, including limiting our liquidity and flexibility in obtaining additional financing or refinancing existing high interest debt and in pursuing other business opportunities.

As of December 31, 2019, we had:

- \$177.9 million principal amount of debt;
- \$41.3 million of undiscounted operating lease liabilities; and
- \$9.3 million in supporting letters of credit.

Our ability to meet our debt service obligations depends on our ability to generate positive cash flows from operations. We have in the past, and may in the future, incur negative cash flows from one or more segments of our operating activities. Our future cash flows from operating activities will be influenced by the demand for our drilling services, the utilization of our rigs, the dayrates that we receive for our rigs, demand for our rental tools, oil and natural gas prices, general economic conditions, and other factors affecting our operations, many of which are beyond our control.

If we are unable to service our debt obligations, we may have to take one or more of the following actions:

- delay spending on capital projects, including maintenance projects and the acquisition or construction of additional rigs, rental tools, and other assets;
- issue additional equity;
- sell assets; or
- restructure or refinance our debt.

Despite our current level of indebtedness, we may still be able to incur more debt. This could further exacerbate the risks associated with our indebtedness, including limiting our liquidity and our ability to pursue other business opportunities.

We may be able to incur additional indebtedness in the future, subject to certain limitations, including under the Credit Facility and the Term Loan Agreement. If new debt is added to our current debt levels, the related risks that we now face could increase. Our level of indebtedness could, for instance, prevent us from engaging in transactions that might otherwise be beneficial to us or from making desirable capital expenditures. This could put us at a competitive disadvantage relative to other less leveraged competitors that have more cash flow to devote to their operations. Additionally, our Credit Facility provides, and any future credit facilities may provide, for variable interest rates, which may increase or decrease our interest expense. Furthermore, the incurrence of additional indebtedness could make it more difficult to satisfy our existing financial obligations.

We are subject to various covenants and events of default under the Credit Facility and the Term Loan Agreement. In general, certain of these covenants limit our ability, subject to certain exceptions, to take certain actions, including:

- selling assets outside the ordinary course of business;
- consolidating, merging, amalgamating, liquidating, dividing, winding up, dissolving or otherwise disposing of all or substantially all of its assets;
- granting liens; and
- financing its investments.

If we fail to comply with these covenants or an event of default occurs under the Credit Facility or the Term Loan Agreement, our liquidity, financial condition or operations may be materially impacted.

Our current operations and future growth may require significant additional capital, and the amount and terms of our indebtedness could impair our ability to fund our capital requirements.

Our business requires substantial capital. We may require additional capital in the event of growth opportunities, unanticipated maintenance requirements, or significant departures from our current business plan.

Additional financing may not be available on a timely basis or on terms acceptable to us and within the limitations contained in the Credit Facility. Failure to obtain additional financing, should the need for it develop, could impair our ability to fund capital expenditure requirements and meet debt service requirements and could have an adverse effect on our business.

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Our backlog of contracted revenues may not be fully realized and may reduce significantly in the future, which may have a material adverse effect on our financial position, results of operations, or cash flows.

Our expected revenues under existing contracts (“contracted revenues”) may not be fully realized due to a number of factors, including rig or equipment downtime or suspension of operations. Several factors could cause downtime or a suspension of operations, many of which are beyond our control, including:

- breakdowns of our equipment or the equipment of others necessary for continuation of operations;
- work stoppages, including labor strikes;
- shortages of material and skilled labor;
- severe weather or harsh operating conditions;
- the occurrence or threat of epidemic or pandemic diseases, such as the recent outbreak of coronavirus, or any government response to such occurrence or threat;
- the early termination of contracts; and
- force majeure events.

Liquidity issues could lead our customers to go into bankruptcy or could encourage our customers to seek to repudiate, cancel, or renegotiate our contracts for various reasons. Some of our contracts permit early termination of the contract by the customer for convenience (without cause), generally exercisable upon advance notice to us and in some cases without making an early termination payment to us. There can be no assurance that our customers will be able or willing to fulfill their contractual commitments to us.

Significant declines in oil prices, the perceived risk of low oil prices for an extended period, and the resulting downward pressure on utilization may cause some customers to consider early termination of select contracts despite having to pay early termination fees in some cases. In addition, customers may request to re-negotiate the terms of existing contracts. Furthermore, as our existing contracts roll off, we may be unable to secure replacement contracts for our rigs, equipment or services. We have been in discussions with some of our customers regarding these issues. Therefore, revenues recorded in future periods could differ materially from our current contracted revenues, which could have a material adverse effect on our financial position, results of operations or cash flows.

Certain of our contracts are subject to cancellation by our customers without penalty and with little or no notice.

In periods of extended market weakness similar to the current environment, our customers may not be able to honor the terms of existing contracts, may terminate contracts even where there may be onerous termination fees, or may seek to renegotiate contract dayrates and terms in light of depressed market conditions. Certain of our contracts are subject to cancellation by our customers without penalty and with relatively little or no notice. Significant declines in oil prices, the perceived risk of low oil prices for an extended period, and the resulting downward pressure on utilization may cause some customers to consider early termination of select contracts despite having to pay early termination fees in some cases. When drilling market conditions are depressed, a customer may no longer need a rig or rental tools currently under contract or may be able to obtain comparable equipment at lower dayrates. Further, due to government actions, a customer may no longer be able to operate in, or it may not be economical to operate in, certain regions. As a result, customers may leverage their termination rights in an effort to renegotiate contract terms.

Our customers may also seek to terminate contracts for cause, such as the loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. If we experience operational problems or if our equipment fails to function properly and cannot be repaired promptly, our customers will not be able to engage in drilling operations and may have the right to terminate the contracts. If equipment is not timely delivered to a customer or does not pass acceptance testing, a customer may in certain circumstances have the right to terminate the contract. The payment of a termination fee may not fully compensate us for the loss of the contract. Early termination of a contract may result in a rig or other equipment being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. The cancellation or renegotiation of a number of our contracts could materially reduce our revenues and profitability.

Service contracts with national oil companies may expose us to greater risks than we normally assume in service contracts with non-governmental customers.

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We currently provide services and own rigs and other equipment that may be used in connection with projects involving national oil companies. In the future, we may expand our international operations and enter into additional, significant contracts or subcontracts relating to projects with national oil companies. The terms of these contracts may require us to resolve disputes in jurisdictions with less robust legal systems and may contain non-negotiable provisions and may expose us to greater commercial, political, environmental, operational, and other risks than we assume in other contracts. These contracts may also expose us to materially greater environmental liability and other claims for damages (including consequential damages) and personal injury related to our operations, or the risk that the contract may be terminated by our customer without cause on short-term notice, contractually or by governmental action, or under certain conditions that may not provide us with an early termination payment. We can provide no assurance that increased risk exposure will not have an adverse impact on our future operations or that we will not increase the number of rigs or amount of equipment and services contracted to national oil companies with commensurate additional contractual risks. Risks that accompany contracts relating to projects with national oil companies could ultimately have a material adverse impact on our business, financial condition, and results of operation.

We derive a significant amount of our revenues from a few major customers. The loss of a significant customer could adversely affect us.

A substantial percentage of our revenues are generated from a relatively small number of customers and the loss of a significant customer could adversely affect us. ENL accounted for approximately 29.3 percent and 31.2 percent of our total consolidated revenues for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively. Our consolidated results of operations could be adversely affected if any of our significant customers terminate their contracts with us, fail to renew our existing contracts, or do not award new contracts to us.

A slowdown in economic activity may result in lower demand for our drilling and drilling-related services and rental tools business, and could have a material adverse effect on our business.

A slowdown in economic activity in the United States or abroad could lead to uncertainty in corporate credit availability and capital market access and could reduce worldwide demand for energy and result in lower crude oil and natural gas prices. Concerns about global economic conditions have had a significant adverse impact on domestic and international financial markets and commodity prices, including oil and natural gas. Likewise, economic conditions in the United States or abroad could impact our vendors' and suppliers' ability to meet obligations to provide materials and services in general. Global or national health concerns, including the outbreak of pandemic or contagious disease, such as the recent coronavirus, may adversely affect the Company by (i) reducing demand for its services because of reduced global or national economic activity and (ii) affecting the health of its workforce, rendering employees unable to work or travel. All of these factors could have a material adverse effect on our business and financial results.

The contract drilling and the rental tools businesses are highly competitive and cyclical, with intense price competition.

The contract drilling and rental tools markets are highly competitive and many of our competitors in both the contract drilling and rental tools businesses may possess greater financial resources than we do. Some of our competitors are incorporated in countries that may provide them with significant tax advantages that are not available to us as a U.S. company and which may impair our ability to compete with them for many projects.

Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Many drilling and workover rigs can be moved from one region to another in response to changes in levels of activity, provided market conditions warrant, which may result in an oversupply of rigs in an area. Many competitors construct rigs during periods of high energy prices and, consequently, the number of rigs available in some of the markets in which we operate can exceed the demand for rigs for extended periods of time, resulting in intense price competition. Most drilling contracts are awarded on the basis of competitive bids, which also results in price competition. Historically, the drilling service industry has been highly cyclical, with periods of high demand, limited equipment supply and high dayrates often followed by periods of low demand, excess equipment supply and low dayrates. Periods of low demand and excess equipment supply intensify the competition in the industry and often result in equipment being idle for long periods of time. During periods of decreased demand we typically experience significant reductions in dayrates and utilization. The Company, or its competition, may move rigs or other equipment from one geographic location to another location; the cost of which may be substantial. If we experience further reductions in dayrates or if we cannot keep our equipment utilized, our financial performance will be adversely impacted. Prolonged periods of low utilization and dayrates could result in the recognition of impairment charges on certain of our rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Rig upgrade, refurbishment and construction projects are subject to risks and uncertainties, including delays and cost overruns, which could have an adverse impact on our results of operations and cash flows.

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We regularly make significant expenditures in connection with upgrading and refurbishing our rig fleet. These activities include planned upgrades to maintain quality standards, routine maintenance and repairs, changes made at the request of customers, and changes made to comply with environmental or other regulations. Rig upgrade, refurbishment, and construction projects are subject to the risks of delay or cost overruns inherent in any large construction project, including the following:

- shortages of equipment or skilled labor;
- unforeseen engineering problems;
- unanticipated change orders;
- work stoppages;
- adverse weather conditions;
- unexpectedly long delivery times for manufactured rig components;
- unanticipated repairs to correct defects in construction not covered by warranty;
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor or raw materials, particularly steel;
- disputes with customers, shipyards or suppliers;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties with current customers at shipyards and suppliers;
- loss of revenues associated with downtime to remedy malfunctioning equipment not covered by warranty;
- unanticipated cost increases;
- loss of revenues and payments of liquidated damages for downtime to perform repairs associated with defects, unanticipated equipment refurbishment and delays in commencement of operations; and
- lack of ability to obtain the required permits or approvals, including import/export documentation.

Any one of the above risks could adversely affect our financial condition and results of operations. Delays in the delivery of rigs being constructed or undergoing upgrade, refurbishment, or repair may, in many cases, delay commencement of a drilling contract resulting in a loss of revenues to us, and may also cause our customer to renegotiate the drilling contract for the rig or terminate or shorten the term of the contract under applicable late delivery clauses, if any. If one of these contracts is terminated, we may not be able to secure a replacement contract on as favorable terms, if at all. Additionally, actual expenditures for required upgrades or to refurbish or construct rigs could exceed our planned capital expenditures, impairing our ability to service our debt obligations.

Our international operations are subject to governmental regulation and other risks.

We derive a significant portion of our revenues from our international operations. For the nine months ended December 31, 2019, we derived approximately 56.7 percent of our revenues from operations in countries other than the United States. For the three months ended March 31, 2019, we derived approximately 57.9 percent of our revenues from operations in countries other than the United States. Our international operations are subject to the following risks, among others:

- political, social, and economic instability, war, terrorism, and civil disturbances;
- economic sanctions imposed by the U.S. government against other countries, groups, or individuals, or economic sanctions imposed by other governments against the U.S. or businesses incorporated in the U.S.;
- limitations on insurance coverage, such as war risk coverage, in certain areas;

- expropriation, confiscatory taxation, and nationalization of our assets;
- foreign laws and governmental regulation, including inconsistencies and unexpected changes in laws or regulatory requirements, and changes in interpretations or enforcement of existing laws or regulations;

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- increases in governmental royalties;
- import-export quotas or trade barriers;
- hiring and retaining skilled and experienced workers, some of whom are represented by foreign labor unions;
- work stoppages;
- damage to our equipment or violence directed at our employees, including kidnapping;
- piracy of vessels transporting our people or equipment;
- unfavorable changes in foreign monetary and tax policies;
- solicitation by government officials for improper payments or other forms of corruption;
- foreign currency fluctuations and restrictions on currency repatriation;
- repudiation, nullification, modification, or renegotiation of contracts; and
- other forms of governmental regulation and economic conditions that are beyond our control.

We currently have operations in 19 countries. Our operations are subject to interruption, suspension, and possible expropriation due to terrorism, war, civil disturbances, political and capital instability, and similar events, and we have previously suffered loss of revenues and damage to equipment due to political violence. Civil and political disturbances in international locations may affect our operations. We may not be able to obtain insurance policies covering risks associated with these types of events, especially political violence coverage, and such policies may only be available with premiums that are not commercially reasonable.

Our international operations are subject to the laws and regulations of a number of countries with political, regulatory and judicial systems and regimes that may differ significantly from those in the U.S. Our ability to compete in international contract drilling and rental tool markets may be adversely affected by foreign governmental regulations and/or policies that favor the awarding of contracts to contractors in which nationals of those foreign countries have substantial ownership interests or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Furthermore, our foreign subsidiaries may face governmentally imposed restrictions or fees from time to time on the transfer of funds to us.

In addition, tax and other laws and regulations in some foreign countries are not always interpreted consistently among local, regional, and national authorities, which can result in disputes between us and governing authorities. The ultimate outcome of these disputes is never certain, and it is possible that the outcomes could have an adverse effect on our financial performance.

A portion of the workers we employ in our international operations are members of labor unions or otherwise subject to collective bargaining. We may not be able to hire and retain a sufficient number of skilled and experienced workers for wages and other benefits that we believe are commercially reasonable.

We may experience currency exchange losses where revenues are received or expenses are paid in nonconvertible currencies or where we do not take protective measures against exposure to a foreign currency. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange, or controls over the repatriation of income or capital. Given the international scope of our operations, we are exposed to risks of currency fluctuation and restrictions on currency repatriation. We attempt to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts payable in U.S. dollars or freely convertible foreign currency. In addition, some parties with which we do business could require that all or a portion of our revenues be paid in local currencies. Foreign currency fluctuations, therefore, could have a material adverse effect upon our results of operations and financial condition.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import activities are governed by the unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the export and re-export of certain goods, services, and technology and impose related export recordkeeping and reporting obligations. Governments may also impose economic sanctions against certain countries, persons, and other entities that may restrict or prohibit transactions involving such countries, persons, and entities. For example, over the past several years the U.S. Government has imposed additional sanctions against Russia's oil and gas industry and certain Russian companies and individuals. Our ability to engage in certain future projects in Russia or involving certain Russian customers is dependent upon whether or not our involvement in such projects is restricted under U.S. or EU sanctions laws and the extent to which any of our prospective operations in Russia or with certain Russian customers may be subject to those

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laws. The laws and regulations concerning import activity, export recordkeeping and reporting, export control, and economic sanctions are complex and constantly changing. These laws and regulations can cause delays in shipments, unscheduled operational downtime and other operational disruptions. Moreover, any failure to comply with applicable legal and regulatory trading obligations could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from governmental contracts, seizure of shipments, and loss of import and export privileges. Reputational damage can also result from any failure to comply with such obligations.

Our acquisitions, dispositions, and investments may not result in the realization of savings, the creation of efficiencies, the generation of cash or income, or the reduction of risk, which may have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

We continually seek opportunities to maximize efficiency and value through various transactions, including purchases or sales of assets, businesses, investments, or joint ventures. These transactions are intended to result in the realization of savings, the creation of efficiencies, the offering of new products or services, the generation of cash or income, or the reduction of risk. These transactions may also affect our consolidated results of operations.

These transactions also involve risks, and we cannot ensure that:

- any acquisitions would result in an increase in income or earnings per share;
- any acquisitions would be successfully integrated into our operations and internal controls;
- the due diligence prior to an acquisition would uncover situations that could result in financial or legal exposure, or that we will appropriately quantify the exposure from known risks;
- any disposition would not result in decreased earnings, revenues, or cash flow;
- use of cash for acquisitions would not adversely affect our cash available for capital expenditures and other uses;
- any dispositions, investments, acquisitions, or integrations would not divert management resources; or
- any dispositions, investments, acquisitions, or integrations would not have a material adverse effect on our results of operations or financial condition.

Failure to comply with anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, could result in fines, criminal penalties, negative commercial consequences and an adverse effect on our business.

The U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act 2010, and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments or providing improper benefits for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-corruption laws. However, we operate in many parts of the world that experience corruption. If we are found to be liable for violations of these laws either due to our own acts or omissions or due to the acts or omissions of others (including our joint ventures partners, our agents or other third-party representatives), we could suffer from commercial, civil, and criminal penalties or other sanctions, which could have a material adverse effect on our business, financial condition, and results of operations.

Failure to attract and retain skilled and experienced personnel could affect our operations.

We require skilled, trained, and experienced personnel to provide our customers with the highest quality technical services and support for our drilling operations. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience we require. Competition for skilled labor and other labor required for our operations intensifies as the number of rigs activated or added to worldwide fleets or under construction increases, creating upward pressure on wages. In periods of high utilization, we have found it more difficult to find and retain qualified individuals. A shortage in the available labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance our wage and benefits packages. Increases in our operating costs could adversely affect our business and financial results. Moreover, the shortages of qualified personnel or the inability to obtain and retain qualified personnel could negatively affect the quality, safety, and timeliness of our operations.

We are not fully insured against all risks associated with our business.

We ordinarily maintain insurance against certain losses and liabilities arising from our operations. However, we do not insure against all operational risks in the course of our business. Due to the high cost, high self-insured retention, and limited coverage insurance for windstorms in the GOM we have elected not to purchase windstorm insurance for our inland barges in the

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GOM. Although we have retained the risk for physical loss or damage for these rigs arising from a named windstorm, we have procured insurance coverage for removal of a wreck caused by a windstorm. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial position, and results of operations.

We are subject to hazards customary for drilling operations, which could adversely affect our financial performance if we are not adequately indemnified or insured.

Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, cratering, oil and natural gas well fires and explosions, natural disasters, pollution, mechanical failure, and damage or loss during transportation. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather, and marine life infestations. These hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations, or environmental damage, which could lead to claims by third parties or customers, suspension of operations, and contract terminations. We have had accidents in the past due to some of these hazards. Typically, we are indemnified by our customers for injuries and property damage resulting from these types of events (except for injury to our employees and subcontractors and property damage to ours and our subcontractors' equipment). However, we could be exposed to significant loss if adequate indemnity provisions or insurance are not in place, if indemnity provisions are unenforceable or otherwise invalid, or if our customers are unable or unwilling to satisfy any indemnity obligations. We may not be able to insure against these risks or to obtain indemnification to adequately protect us against liability from all of the consequences of the hazards and risks described above. The occurrence of an event not fully insured against or for which we are not indemnified, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not continue to be available to cover any or all of these risks. For example, pollution, reservoir damage and environmental risks generally are not fully insurable. Even if such insurance is available, insurance premiums or other costs may rise significantly in the future, making the cost of such insurance prohibitive. For a description of our indemnification obligations and insurance, see Item 1. Business — Insurance and Indemnification.

Certain areas in and near the GOM are subject to hurricanes and other extreme weather conditions. When operating in and near the GOM, our drilling rigs and rental tools may be located in areas that could cause them to be susceptible to damage or total loss by these storms. In addition, damage caused by high winds and turbulent seas to our rigs, our shore bases, and our corporate infrastructure could potentially cause us to curtail operations for significant periods of time until the effects of the damage can be repaired. In addition, our rigs in arctic regions can be affected by seasonal weather so severe that conditions are deemed too unsafe for operations.

Government regulations may reduce our business opportunities and increase our operating costs.

Government regulations control and often limit access to potential markets and impose extensive requirements concerning employee privacy and safety, environmental protection, pollution control, and remediation of environmental contamination. Environmental regulations, including species protections, prohibit access to some locations and make others less economical, increase equipment and personnel costs, and often impose liability without regard to negligence or fault. In addition, governmental regulations, such as those related to climate change, emissions, and hydraulic fracturing, may discourage our customers' activities, reducing demand for our products and services. We may be liable for damages resulting from pollution and, under United States regulations, must establish financial responsibility in order to drill offshore. See Item 1. Business — Environmental Considerations.

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Some scientific studies have suggested that emissions of greenhouse gases may be contributing to warming of the earth's atmosphere and other climatic changes. Such studies have resulted in increased local, state, regional, national, and international attention and actions relating to issues of climate change and the effect of GHG emissions, particularly emissions from fossil fuels. For example, the United States has been involved in international negotiations regarding greenhouse gas reductions under the UNFCCC. The U.S. was among 195 nations that participated in the creation of an international accord in December 2015, the Paris Agreement, with the objective of limiting greenhouse gas emissions. The Paris Agreement entered into force on November 4, 2016 and, as of January 2020, had been ratified by 187 of the 197 parties to the UNFCCC. However, on November 4, 2019, the United States formally communicated to the United Nations its intent to withdraw from participation in the Paris Agreement, which, under the terms of the Paris Agreement, cannot become effective until November 4, 2020. The EPA has also taken action under the CAA to regulate greenhouse gas emissions. In addition, a number of states have either proposed or implemented restrictions on greenhouse gas emissions. International accords such as the Paris Agreement may result in additional regulations to control greenhouse gas emissions. Other developments focused on restricting GHG emissions include but are not limited to the Kyoto Protocol; the European Union Emission Trading System; the United Kingdom's Carbon Reduction Commitment; and, in the U.S., the Regional Greenhouse Gas Initiative, the Western Regional Climate Action Initiative, and various state programs. These

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regulations could also adversely affect market demand or pricing for our services, by affecting the price of, or reducing the demand for, fossil fuels or providing competitive advantages to competing fuels and energy sources.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties, or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties, or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties, or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and/or result in a disruption of our customers' operations.

The number and quantity of viable financing alternatives available to us may be significantly impacted by unfavorable lending and investment policies by financial institutions and insurance companies associated with concerns about environmental impacts of the oil and natural gas industry, on which our business depends, and negative views around our and our customer's efforts with respect to environmental and social matters and related governance considerations could harm the perception of the Company by certain investors or result in the exclusion of our securities from consideration by those investors.

Global climate issues, including with respect to greenhouse gases (GHGs) such as carbon dioxide and methane and the relationship that GHGs have with climate change, continue to attract significant public and scientific attention. Certain banks, other financing sources and insurance companies have taken actions to limit available financing and insurance coverage for the oil and natural gas industry, on which our business depends. Increasingly, the actions of such financial institutions and insurance companies are informed by non-standardized "sustainability" scores, ratings and benchmarking studies provided by various organizations that assess corporate governance related to environmental and social matters. Further, there have been efforts in recent years by members of the general financial and investment communities, including investment advisors, sovereign wealth funds, public pension funds, universities and other institutional investors, to divest themselves and to promote the divestment of securities issued by companies involved in the fossil fuel extraction market, or that have low ratings or scores in studies and assessments of the type noted above. These entities also have been pressuring lenders to limit financing available to such companies. Because our business depends on the oil and gas industry, these efforts may have adverse consequences, including, but not limited to: restricting our and our customer's ability to access capital and financial markets in the future; reducing the demand and price for our and our customer's equity securities; and limiting our and our customer's flexibility in business development activities such as mergers, acquisitions and divestitures.

We are regularly involved in litigation, some of which may be material.

We are regularly involved in litigation, claims, and disputes incidental to our business, which at times may involve claims for significant monetary amounts, some of which would not be covered by insurance. We undertake all reasonable steps to defend ourselves in such lawsuits. Nevertheless, we cannot predict the ultimate outcome of such lawsuits and any resolution which is adverse to us could have a material adverse effect on our financial condition. See Note 11 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data for a discussion of the material legal proceedings affecting us.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact the demand for rental tools.

Hydraulic fracturing is a process sometimes used in the completion of oil and natural gas wells whereby water, other liquids, sand, and chemicals are injected under pressure into subsurface formations to stimulate natural gas and, oil production. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating, or preparing to regulate hydraulic fracturing, directly and indirectly. Many state governments require the disclosure of chemicals used in the fracturing process and, due to concerns raised relating to potential impacts of hydraulic fracturing, including on groundwater quality and seismic activity, legislative and regulatory efforts at the federal level and in some state and local jurisdictions have been initiated to render permitting and compliance requirements more stringent for hydraulic fracturing or prohibit the activity altogether. We do not directly engage in hydraulic fracturing activities. However, these and other developments could cause operational delays or increased costs in exploration and production, which could adversely affect the demand for our rental tools.

Our operations are subject to cyber-attacks or other cyber incidents that could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Our operations are becoming increasingly dependent on digital technologies and services. We use these technologies for internal purposes, including data storage (which may include personal identification information of our employees as well as our proprietary business information and that of our customers, suppliers, investors and other stakeholders), processing, and

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transmissions, as well as in our interactions with customers and suppliers. Digital technologies are subject to the risk of cyber-attacks, security breaches and other cyber incidents, which could include, among other things, computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing and impersonation), hacking, denial-of-service attacks and other attacks and similar disruptions from the unauthorized use of or access to computer systems. If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things: loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our reputation and our relationships with customers, suppliers, employees, and other third parties, and may result in claims against us, including liability under laws that protect the privacy of personal information. In addition, these risks could have a material adverse effect on our business, results of operations and financial condition.

Risks Relating To Our Common Stock

We may become a non-reporting company if we proceed with the Stock Splits.

On January 29, 2020, we filed a Form 25 with the SEC to voluntarily delist our common stock from the NYSE, and we anticipate filing a Form 15 with the SEC to suspend our reporting obligations under Section 12(g) of the Exchange Act in connection with the Stock Splits being considered by the Board. As a result of the Form 25 filing, our common stock will be deregistered under Section 12(b) of the Exchange Act 90 days following the filing of the Form 25. As a result, our common stock is no longer listed on a national securities exchange and trading in our stock will only occur in privately negotiated sales and potentially on an over-the-counter market, if one or more brokers continues to choose to make a market for our common stock on any such market and complies with applicable regulatory requirements; however, there can be no assurances regarding any such trading. If we file the Form 15, our common stock would be deregistered under Section 12(g) of the Exchange Act 90 days following the filing of the Form 15. Because of the limited liquidity for our common stock, the anticipated termination of our obligation to publicly disclose financial and other information, and the proposed deregistration of our common stock under the Exchange Act, our stockholders may potentially experience a significant decrease in the liquidity of their common stock.

If we file a Form 15 to deregister our common stock under Section 12(g) of the Exchange Act, we will cease to file annual, quarterly, current, and other reports and documents with the SEC, and stockholders will cease to receive annual reports and proxy statements. Even if we file the Form 15, we intend to continue to prepare audited annual financial statements and periodic unaudited financial statements, as required pursuant to the covenants contained in our debt documents and make such financial information available to our stockholders on a voluntary basis. However, we would not be required to do so by law and there is no assurance that even if we were to make such information available that we would continue to do so in the future. Nonetheless, our stockholders may have significantly less information about the Company and our business, operations, and financial performance than they have currently. We would continue to hold stockholder meetings as required under Delaware law, including annual meetings, or to take actions by written consent of our stockholders in lieu of meetings as permitted under and in conformity with applicable Delaware law.

If we were to complete the deregistration and delisting process, we would no longer be subject to the provisions of the Sarbanes-Oxley Act, the liability provisions of the Exchange Act or the oversight of a national securities exchange. Our executive officers, directors and 10% stockholders would no longer be required to file reports relating to their transactions in our common stock with the SEC. In addition, our executive officers, directors and 10% stockholders would no longer be subject to the recovery of profits provision of the Exchange Act, and persons acquiring 5% of our common stock would no longer be required to report their beneficial ownership under the Exchange Act. Additionally, we would not have the ability to access the public capital markets or to use public securities in attracting and retaining executives and other employees, and we would have a decreased ability to use common stock to acquire other companies.

Additionally, even if we were to complete the deregistration process, our public reporting obligations could be reinstated if on the first day of any fiscal year we have more than 300 stockholders of record, in which instance we would be required to resume reporting pursuant to Section 15(d) of the Exchange Act. However, the Company would reserve the right to take additional actions that may be permitted under Delaware law, including effectuating further reverse stock splits, as necessary to maintain the Company's suspension of its SEC reporting obligations.

Because our common stock is not listed on a national securities exchange, it is less liquid and its price may be negatively impacted by factors that are unrelated to our operations.

Because our common stock is not listed on a national securities exchange, it is less liquid and its price may be negatively impacted by factors that are unrelated to our operations. There is no assurance that a sufficient market will develop in our common stock, in which case it could be difficult for shareholders to sell their shares of common stock. Even if one or more brokers chooses to make a market for our common stock on an over-the-counter market and complies with the applicable regulatory requirements,

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the market price of our common stock could fluctuate substantially in response to various factors and events, many of which are beyond our control, including the following:

- the other risk factors described in this Form 10-K, including changes in oil and natural gas prices;
- a shortfall in rig utilization, operating revenues, or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of the financial performance of us or our competitors or the financial performance of companies in the oilfield service industry generally;
- changes in actual or market expectations with respect to the amounts of exploration and development spending by oil and natural gas companies;
- general conditions in the economy and in energy-related industries;
- general conditions in the securities markets;
- political instability, terrorism, or war;
- the outcome of pending and future legal proceedings, investigations, tax assessments, and other claims; and
- trading volume in our common stock.

There can be no assurance that any public market for our common stock will exist in the future or that we will choose or be able to relist our common stock on a national securities exchange.

Certain shareholders own large portions of our outstanding common stock, which may limit your ability to influence our actions.

Certain shareholders currently hold significant percentages of our common stock. To the extent a significant percentage of the ownership of our common stock is concentrated in a small number of holders, such holders will be able to influence the outcome of any shareholder vote, including the election of directors, the adoption or amendment of provisions in our articles of incorporation or bylaws and possible mergers, corporate control contests and other significant corporate transactions. Circumstances may arise in which these stockholders may have an interest in pursuing or preventing acquisitions, divestitures or other transactions, including the issuance of additional shares or debt, that, in their judgment, could enhance their investment in the Company. Such transactions might adversely affect us or other holders of our common stock.

The corporate opportunity provisions in our certificate of incorporation could enable affiliates (as defined in our certificate of incorporation) of ours to benefit from corporate opportunities that might otherwise be available to us.

Subject to the limitations of applicable law, our certificate of incorporation, among other things:

- permits us to enter into transactions with entities in which one or more of our officers or directors are financially or otherwise interested;
- permits any of our stockholders, officers or directors to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and
- provides that if any director or officer of one of our affiliates who is also one of our officers or directors becomes aware of a potential business opportunity, transaction or other matter (other than one expressly offered to that director or officer solely in his or her capacity as our director or officer), that director or officer will have no duty to communicate or offer that opportunity to us, and will be permitted to communicate or offer that opportunity to such affiliates and that director or officer will not be deemed to have (i) acted in bad faith or in a manner inconsistent with the best interests of the Company or our stockholders or to have acted in a manner inconsistent with or opposed to his or her fiduciary duties to us regarding the opportunity or (ii) be liable to us or our stockholders for breach of any fiduciary duty regarding the opportunity.

These provisions create the possibility that a corporate opportunity that would otherwise be available to us may be used for the benefit of one of our affiliates.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our

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common stock respecting dividends and distributions, as the Board may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

Our certificate of incorporation designates the Court of Chancery in the State of Delaware (or, if and only if the Court of Chancery lacks subject matter jurisdiction, the federal district court for the District of Delaware) as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery in the State of Delaware (or, if and only if the Court of Chancery lacks subject matter jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any: (i) derivative action or proceeding brought on our behalf; (ii) action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders; (iii) action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation, our bylaws or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery; or (iv) action asserting a claim against us that is governed by the internal affairs doctrine. In addition, our certificate of incorporation provides that if any action specified above (each is referred to herein as a covered proceeding), is filed in a court other than a court located within the State of Delaware (each is referred to herein as a foreign action), the claiming party will be deemed to have consented to (i) the personal jurisdiction of state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the exclusive forum provision described above and (ii) having service of process made upon such claiming party in any such enforcement action by service upon such claiming party's counsel in the foreign action as agent for such claiming party. These provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our a certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the covered proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

We do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not anticipate paying any dividends on our common stock in the foreseeable future, and the terms of our existing indebtedness restrict our ability to pay dividends on our common stock. Any declaration and payment of future dividends to holders of our common stock may be limited by the provisions of the Delaware General Corporation Law and our indebtedness. The future payment of dividends on our common stock will be at the sole discretion of the Board and will depend on many factors, including our earnings, capital requirements, financial condition, and other considerations that the Board deems relevant.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain statements that may be deemed to be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”). All statements in this Form 10-K other than statements of historical facts addressing activities, events or developments we expect, project, believe, or anticipate will or may occur in the future are forward-looking statements. These statements are based on certain assumptions made by the Company based on management’s experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Although we believe our expectations stated in this Form 10-K are based on reasonable assumptions, such statements are subject to a number of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those implied or expressed by the forward-looking statements. These statements include, but are not limited to, statements about anticipated future financial or operational results, our financial position, and similar matters. These include risks relating to:

- changes in worldwide economic and business conditions;
- fluctuations in oil and natural gas prices;
- compliance with existing laws and changes in laws or government regulations;
- the failure to realize the benefits of, and other risks relating to, acquisitions;
- the risk of cost overruns;
- our ability to refinance or repay our indebtedness;
and
- other important factors, many of which could adversely affect market conditions, demand for our services, and costs, and all or any one of which could cause actual results to differ materially from those projected.

For more information, see Item 1A. Risk Factors of this Form 10-K. Each forward-looking statement speaks only as of the date of this Form 10-K and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

We lease corporate headquarters office space in Houston, Texas and own our U.S. rental tools headquarters office in New Iberia, Louisiana. We lease regional headquarters space in Dubai, United Arab Emirates related to our International rental tools segment and eastern hemisphere drilling operations. Additionally, we own and/or lease office space and operating facilities in various other locations, domestically and internationally, including facilities where we hold inventories of rental and drilling tools and locations in close proximity to where we provide services to our customers. Additionally, we own and/or lease facilities necessary for administrative and operational support functions.

Land and Barge Rigs

The table below shows the locations and drilling depth ratings of our rigs as of December 31, 2019:

Name	Type	Year entered into service/ upgraded	Drilling depth rating (in feet)	Location
International & Alaska drilling				
Eastern Hemisphere				
Rig 107	Land rig	1983/2009	15,000	Kazakhstan
Rig 216	Land rig	2001/2009	25,000	Kazakhstan
Rig 249	Land rig	2000/2009	25,000	Kazakhstan
Rig 257	Barge rig	1999/2010	30,000	Kazakhstan
Rig 258	Land rig	2001/2009	25,000	Kazakhstan
Rig 247	Land rig	1981/2008	20,000	Iraq, Kurdistan Region
Rig 269	Land rig	2008	21,000	Iraq, Kurdistan Region
Rig 265	Land rig	2007	20,000	Iraq, Kurdistan Region
Rig 264	Land rig	2007	20,000	Tunisia
Rig 270	Land rig	2011	21,000	Russia
Latin America				
Rig 271	Land rig	1982/2009	30,000	Colombia
Rig 266	Land rig	2008	20,000	Guatemala
Rig 122	Land rig	1980/2008	18,000	Mexico
Rig 165	Land rig	1978/2007	30,000	Mexico
Rig 221	Land rig	1982/2007	30,000	Mexico
Rig 256	Land rig	1978/2007	25,000	Mexico
Rig 267	Land rig	2008	20,000	Mexico
Alaska				
Rig 272	Land rig	2013	18,000	Alaska
Rig 273	Land rig	2012	18,000	Alaska
U.S. (lower 48) drilling				
Rig 8	Barge rig	1978/2007	14,000	GOM
Rig 15	Barge rig	1978/2007	15,000	GOM
Rig 30	Barge rig	2014	18,000	GOM
Rig 50	Barge rig			
Rig 51	Barge rig	1981/2006	20,000	GOM
Rig 51	Barge rig	1981/2008	20,000	GOM
Rig 54	Barge rig	1980/2006	25,000	GOM
Rig 55	Barge rig	1981/2014	25,000	GOM
Rig 72	Barge rig	1982/2005	25,000	GOM
Rig 76	Barge rig	1977/2009	30,000	GOM
Rig 77	Barge rig	2006/2006	30,000	GOM

The table above excludes Rig 121 (Colombia), Rig 12 (U.S.), Rig 20 (U.S.) and Rig 21 (U.S.). Rig 121 was decommissioned in 2015 and sold after year-end. Rig 12 and Rig 21 were decommissioned and scrapped. Rig 20 was decommissioned for scrapping.

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Item 3. Legal Proceedings

For information on Legal Proceedings, see Note 11 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data, which information is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Predecessor Common Stock (as defined below) traded on the NYSE under the symbol “PKD” until December 12, 2018, at which time it was removed from trading on the NYSE, and began trading on the OTC Pink under the symbol “PKDSQ”.

Our Successor Common Stock (as defined below) traded on the NYSE under the symbol “PKD” from April 3, 2019 through February 11, 2020, at which time we voluntarily delisted it from the NYSE and it began trading on the OTC Pink under the symbol “PKDC”.

The Company filed a Form 25 on January 29, 2020 with the SEC to delist its common stock from the NYSE and deregister the common stock under Section 12(b) of the Exchange Act.

Stockholders

As of February 25, 2020, there were 461 stockholders of record.

Dividends

Our credit agreements limit the payment of dividends. In the past, we have not paid dividends on our Predecessor Common Stock or the Successor Common Stock. We have no present intention to pay dividends on the Successor Common Stock in the foreseeable future.

Issuer Purchases of Equity Securities

The Company currently has no active share repurchase program.

Item 6. Selected Financial Data

Not applicable.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis should be read in conjunction with Item 8. Financial Statements and Supplementary Data. We use rounded numbers in the Management Discussion and Analysis section which may result in slight differences with results reported under Item 8. Financial Statements and Supplementary Data.

For discussion related to the results of operations and change in financial condition of our Predecessor for the year ended December 31, 2018, compared to the year ended December 31, 2017, refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2018, filed with the SEC on March 11, 2019.

Executive Summary

The oil and natural gas industry is highly cyclical. Activity levels are driven by traditional energy industry activity indicators, which include current and expected commodity prices, drilling rig counts, footage drilled, well counts, and our customers' spending levels allocated to exploratory and development drilling.

Historical market indicators are listed below:

	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>
Worldwide rig count ⁽¹⁾					
U.S. (land and offshore)	944	(9)%	1,032	18%	875
International ⁽²⁾	1,098	11 %	988	4%	948
Commodity prices ⁽³⁾					
Crude oil (Brent) per bbl	\$ 64.16	(11)%	\$ 71.69	31%	\$ 54.74
Crude oil (West Texas Intermediate) per bbl	\$ 57.04	(12)%	\$ 64.90	28%	\$ 50.85
Natural gas (Henry Hub) per mcf	\$ 2.53	(18)%	\$ 3.07	2%	\$ 3.02

(1) Estimate of drilling activity as measured by the average active rig count for the periods indicated - Source: Baker Hughes Rig Count.

(2) Excludes Canadian rig count.

(3) Average daily commodity prices for the periods indicated based on NYMEX front-month composite energy prices.

Chapter 11 Emergence

On December 12, 2018 (the "Petition Date"), Parker and certain of its U.S. subsidiaries (collectively, the "Debtors") filed a prearranged plan of reorganization (the "Plan") and commenced voluntary petitions under chapter 11 (the "Chapter 11 Cases") of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). The Plan was confirmed by the Bankruptcy Court on March 7, 2019, and the Debtors emerged from the bankruptcy proceedings on March 26, 2019 (the "Plan Effective Date").

On December 12, 2018, prior to the commencement of the Chapter 11 Cases, the Debtors entered into a restructuring support agreement (as amended on January 28, 2019, the "RSA") with certain significant holders of (1) 7.50% Senior Notes, due 2020 (the "7.50% Note Holders") issued pursuant to the indenture (the "7.50% Notes Indenture") dated July 30, 2013 (the "7.50% Notes"), by and among Parker Drilling, the subsidiary guarantors party thereto and Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), (2) 6.75% Senior Notes, due 2022 (the "6.75% Note Holders") issued pursuant to the indenture (the "6.75% Notes Indenture") dated January 22, 2014 (the "6.75% Notes" and together with the 7.50% Notes, the "Senior Notes"), by and among Parker Drilling, the subsidiary guarantors party thereto and the Trustee, (3) Parker Drilling's existing common stock (the "Predecessor Common Stock") and (4) Parker Drilling's 7.25% Series A Mandatory Convertible Preferred Stock (the "Predecessor Preferred Stock" and such holders to support a restructuring (the "Restructuring") on the terms set forth in the Plan.

Plan of Reorganization

In accordance with the Plan, on the Plan Effective Date:

- (1) the Company amended and restated its certificate of incorporation and bylaws;
- (2) the Company appointed new members to the Successor's board of directors to replace directors of the Predecessor;

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(3) the Company
issued:

- 2,827,323 shares of Successor Common Stock pro rata to 7.50% Note Holders;
- 5,178,860 shares of Successor Common Stock pro rata to 6.75% Note Holders;
- 90,558 shares of Successor Common Stock and 1,032,073 Successor warrants to purchase 1,032,073 shares of Successor Common Stock pro rata to holders of the Predecessor Preferred Stock;
- 135,838 shares of Successor Common Stock and 1,548,109 Successor warrants to purchase 1,548,109 shares of Successor Common Stock pro rata to holders of the Predecessor Common Stock;
- 504,577 shares of Successor Common Stock to commitment parties under that certain Backstop Commitment Agreement, dated December 12, 2018 and amended and restated on January 28, 2019, (as amended and restated, the “Backstop Commitment Agreement”) in respect of the commitment premium due thereunder;
- 1,403,910 shares of Successor Common Stock to the commitment parties under the Backstop Commitment Agreement in connection with their backstop obligation thereunder to purchase unsubscribed shares of Successor Common Stock; and
- 4,903,308 shares of Successor Common Stock to participants in the rights offering extended by Parker to the applicable classes under the Plan (including to the commitment parties party to the Backstop Commitment Agreement); and
- all of the Company’s agreements, instruments and other documents evidencing or relating to, or otherwise connected with, any of the Predecessor’s equity interests outstanding prior to the Plan Effective Date were cancelled and all such equity interests have no further force or effect.

Fresh Start Accounting

Upon emergence from bankruptcy, we adopted fresh start accounting (“Fresh Start Accounting”) in accordance with FASB ASC Topic No. 852, Reorganizations (“Topic 852”), which resulted in the Company becoming a new entity for financial reporting purposes. See Note 2 - Chapter 11 Emergence and Note 3 - Fresh Start Accounting for further details. We evaluated the events between March 26, 2019 and March 31, 2019 and concluded that the use of an accounting convenience date of March 31, 2019, (the “Fresh Start Reporting Date”) would not have a material impact on our results of operations or balance sheet. As such, the application of fresh start accounting was reflected in our condensed consolidated balance sheet as of March 31, 2019, and fresh start accounting adjustments related thereto were included in our condensed consolidated statement of operations for the three months ended March 31, 2019.

References to “Successor” relate to the financial position and results of operations of the reorganized Company as of and subsequent to March 31, 2019. References to “Predecessor” relate to the financial position of the Company prior to, and results of operations through and including, March 31, 2019. As a result of the adoption of Fresh Start Accounting and the effects of the implementation of the Plan, the Company’s consolidated financial statements of the Successor (as of and subsequent to March 31, 2019), are not comparable to its consolidated financial statements of the Predecessor.

Stockholder Approval of Stock Splits Transaction and Delisting of our Common Stock from the New York Stock Exchange

On January 9, 2020, the Company held a special meeting of stockholders (the “Special Meeting”). At the Special Meeting, the holders of a majority of the Company’s issued and outstanding shares of common stock entitled to vote approved amendments to the Company’s certificate of incorporation, as amended (the “Certificate of Incorporation”), to effect a reverse stock split of the Company’s common stock (the “Reverse Stock Split”), followed immediately by a forward stock split of the Company’s common stock (the “Forward Stock Split,” and together with the Reverse Stock Split, the “Stock Splits”), at a ratio (i) not less than 1-for-5 and not greater than 1-for-100, in the case of the Reverse Stock Split, and (ii) not less than 5-for-1 and not greater than 100-for-1, in the case of the Forward Stock Split. If the Stock Splits are effectuated, then as a result of the Stock Splits, a stockholder owning immediately prior to the effective time of the Reverse Stock Split fewer than a minimum number of shares, which, depending on the stock split ratios chosen by the Board, would be between 5 and 100, would be paid \$30.00, without interest, for each share of common stock held by such holder immediately prior to the effective time. Cashed out stockholders would no longer be stockholders of the Company. On January 29, 2019, in connection with the anticipated Stock Splits, the Company filed a Form 25 with the Securities and Exchange Commission (the “SEC”) to voluntarily delist its common stock from trading on the New York Stock Exchange (“NYSE”) and to deregister its common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The delisting occurred ten calendar days after the filing of the Form 25 so that trading was suspended on February 10, 2020, prior to the market opening. Following the delisting, the Company’s Board has continued to evaluate updated

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ownership data to ascertain the aggregate costs within the ranges of stock split ratios that the Company's stockholders approved at the Special Meeting. Based upon this analysis, the Board will continue to consider the appropriate ratio to effectuate the Stock Splits. As previously disclosed, the Board, at its sole discretion, may elect to abandon the Stock Splits and the overall deregistration process for any reason, including if it determines that effectuating the Stock Splits would be too costly. Assuming the Board determines to proceed with the Stock Splits and the overall deregistration process, the Company will file with the State of Delaware certificates of amendment to the Company's Certificate of Incorporation to effectuate the Stock Splits. Following the effectiveness of the Stock Splits, the Company will file a Form 15 with the SEC certifying that it has less than 300 stockholders, which will terminate the registration of the Company's common stock under Section 12(g) of the Exchange Act. As a result, the Company would cease to file annual, quarterly, current, and other reports and documents with the SEC, and stockholders will cease to receive annual reports and proxy statements. Even if the Company effectuates the Stock Splits and terminates its registration under Section 12(g) of the Exchange Act, the Company intends to continue to prepare audited annual and unaudited quarterly financial statements and to make such information available to its stockholders on a voluntary basis. However, the Company would not be required to do so by law and there is no assurance that even if the Company did make such information available that it would continue to do so in the future.

Financial Results

Revenues were \$472.4 million and \$157.4 million for the nine months ended December 31, 2019 and the three months ended March 31, 2019, respectively, and \$480.8 million for the year ended December 31, 2018. Operating gross margin was \$56.7 million and \$11.4 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and a loss of \$4.8 million for the year ended December 31, 2018.

Outlook

For 2020, we expect the U.S. land rig count to be relatively flat to year end levels after a 26% decline during 2019 while the U.S. offshore rig count is expected to increase approximately 10%. The net impact should translate into a decrease in our year over year U.S. rental tools business results and a small increase in our barge rig utilization, although overall results for our U.S. (lower 48) drilling segment should decrease due to a shift from rig activation to lower margin plug and abandonment activity on our California O&M.

We expect the international rig count to increase approximately 3% in 2020 with improvement mainly coming from Mexico, the UAE, Iraq, and Egypt. The areas in which the anticipated increase will occur should bode well for Parker. Our International rental tools segment revenue is anticipated to increase as we continue to win projects utilizing our well construction, well intervention, and surface and tubular goods in the Middle East, the UK, and Latin America. Our International and Alaska drilling segment results are expected to increase as we have won numerous contracts recently, including a 5-year extension of our Sakhalin Island contract and the addition of two O&M contracts in Alaska. In total, the backlog for our O&M contracts has grown to \$627 million.

Our expectations for 2020 results are directly linked to anticipated worldwide rig activity. Thus, there are inherent risks involved, including changes to the current supply and demand outlook, the impact of the coronavirus, and investor pressure on E&P companies to exercise capital discipline and to generate free cash flow. Please see Item 1A. Risk Factors for further information regarding the risks facing the Company.

Results of Operations

Our business is comprised of two business lines: (1) rental tools services and (2) drilling services. We report our rental tools services business as two reportable segments: (1) U.S. rental tools and (2) International rental tools. We report our drilling services business as two reportable segments: (1) U.S. (lower 48) drilling and (2) International & Alaska drilling. We eliminate inter-segment revenues and expenses.

We analyze financial results for each of our reportable segments. The reportable segments presented are consistent with our reportable segments discussed in our consolidated financial statements. See Note 17 - Reportable Segments in Item 8. Financial Statements and Supplementary Data for further discussion. We monitor our reporting segments based on several criteria, including operating gross margin and operating gross margin excluding depreciation and amortization. Operating gross margin excluding depreciation and amortization is computed as revenues less direct operating expenses, and excludes depreciation and amortization expense, where applicable. Operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin excluding depreciation and amortization amounts and percentages should not be used as a substitute for those amounts reported under accounting policies generally accepted in the United States ("U.S. GAAP"), but should be viewed in addition to the Company's reported results prepared in accordance with U.S. GAAP. Management believes this information provides valuable insight into the information management considers important in managing the business.

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Nine Months Ended December 31, 2019, Three Months Ended March 31, 2019 and the Year Ended December 31, 2018

Revenues were \$472.4 million and \$157.4 million for the nine months ended December 31, 2019 and the three months ended March 31, 2019, respectively, and \$480.8 million for the year ended December 31, 2018. Operating gross margin was \$56.7 million and \$11.4 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and a loss of \$4.8 million for the year ended December 31, 2018.

The following is an analysis of our operating results for the comparable periods by reportable segment:

	Successor		Predecessor			
	Nine Months Ended December 31,		Three Months Ended March 31,		Year Ended December 31,	
	2019		2019		2018	
<i>Dollars in Thousands</i>						
Revenues:						
U.S. rental tools	\$ 144,698	31%	\$ 52,595	34 %	\$ 176,531	37 %
International rental tools	71,292	15%	21,109	13 %	79,150	16 %
Total rental tools services	215,990	46%	73,704	47 %	255,681	53 %
U.S. (lower 48) drilling	36,710	8%	6,627	4 %	11,729	2 %
International & Alaska drilling	219,695	46%	77,066	49 %	213,411	45 %
Total drilling services	256,405	54%	83,693	53 %	225,140	47 %
Total revenues	\$ 472,395	100%	\$ 157,397	100 %	\$ 480,821	100 %
Operating gross margin excluding depreciation and amortization:⁽¹⁾						
U.S. rental tools	\$ 68,966	48%	\$ 29,004	55 %	\$ 92,679	53 %
International rental tools	10,632	15%	534	3 %	3,864	5 %
Total rental tools services	79,598	37%	29,538	40 %	96,543	38 %
U.S. (lower 48) drilling	6,613	18%	(700)	(11)%	(7,962)	(68)%
International & Alaska drilling	32,009	15%	7,688	10 %	14,136	7 %
Total drilling services	38,622	15%	6,988	8 %	6,174	3 %
Total operating gross margin excluding depreciation and amortization	118,220	25%	36,526	23 %	102,717	21 %
Depreciation and amortization	(61,499)		(25,102)		(107,545)	
Total operating gross margin	56,721		11,424		(4,828)	
General and administrative expense	(17,967)		(8,147)		(24,545)	
Loss on impairment	—		—		(50,698)	
Gain (loss) on disposition of assets, net	226		384		(1,724)	
Pre-petition restructuring charges	—		—		(21,820)	
Reorganization items	(1,173)		(92,977)		(9,789)	
Total operating income (loss)	\$ 37,807		\$ (89,316)		\$ (113,404)	

(1) Percentage amounts are calculated by dividing the operating gross margin excluding depreciation and amortization by revenue for the respective segment and business lines.

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Operating gross margin (loss) amounts are reconciled to our most comparable U.S. GAAP measure as follows:

<i>Dollars in Thousands</i>	U.S. Rental Tools	International Rental Tools	U.S. (Lower 48) Drilling	International & Alaska Drilling	Total
Nine months ended December 31, 2019 (Successor)					
Operating gross margin ⁽¹⁾ (Successor)	\$ 38,054	\$ 4,633	\$ 2,189	\$ 11,845	\$ 56,721
Depreciation and amortization (Successor)	30,912	5,999	4,424	20,164	61,499
Operating gross margin excluding depreciation and amortization (Successor)	<u>\$ 68,966</u>	<u>\$ 10,632</u>	<u>\$ 6,613</u>	<u>\$ 32,009</u>	<u>\$ 118,220</u>
Three months ended March 31, 2019 (Predecessor)					
Operating gross margin ⁽¹⁾ (Predecessor)	\$ 17,289	\$ (3,581)	\$ (1,508)	\$ (776)	\$ 11,424
Depreciation and amortization (Predecessor)	11,715	4,115	808	8,464	25,102
Operating gross margin excluding depreciation and amortization (Predecessor)	<u>\$ 29,004</u>	<u>\$ 534</u>	<u>\$ (700)</u>	<u>\$ 7,688</u>	<u>\$ 36,526</u>
Year ended December 31, 2018 (Predecessor)					
Operating gross margin ⁽¹⁾ (Predecessor)	\$ 44,512	\$ (11,684)	\$ (15,720)	\$ (21,936)	\$ (4,828)
Depreciation and amortization (Predecessor)	48,167	15,548	7,758	36,072	107,545
Operating gross margin excluding depreciation and amortization (Predecessor)	<u>\$ 92,679</u>	<u>\$ 3,864</u>	<u>\$ (7,962)</u>	<u>\$ 14,136</u>	<u>\$ 102,717</u>

(1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.

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The following table presents our average utilization rates and rigs available for service for the nine months ended December 31, 2019, the three months ended March 31, 2019 and year ended December 31, 2018, respectively:

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
U.S. (lower 48) drilling			
Rigs available for service ⁽¹⁾	10	13	13
Utilization rate of rigs available for service ⁽²⁾	17%	4%	10%
International & Alaska drilling			
Eastern Hemisphere			
Rigs available for service ⁽¹⁾	10	10	10
Utilization rate of rigs available for service ⁽²⁾	44%	50%	46%
Latin America Region			
Rigs available for service ⁽¹⁾	7	7	7
Utilization rate of rigs available for service ⁽²⁾	51%	29%	21%
Alaska			
Rigs available for service ⁽¹⁾	2	2	2
Utilization rate of rigs available for service ⁽²⁾	50%	50%	50%
Total International & Alaska drilling			
Rigs available for service ⁽¹⁾	19	19	19
Utilization rate of rigs available for service ⁽²⁾	47%	42%	37%

- (1) The number of rigs available for service is determined by calculating the number of days each rig was in our fleet and was under contract or available for contract. For example, a rig under contract or available for contract for six months of a year is 0.5 rigs available for service during such year. Our method of computation of rigs available for service may not be comparable to other similarly titled measures of other companies.
- (2) Rig utilization rates are based on a weighted average basis assuming total days availability for all rigs available for service. Rigs acquired or disposed of are treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization or demobilization are also considered to be utilized. Our method of computation of rig utilization may not be comparable to other similarly titled measures of other companies.

Rental Tools Services Business

U.S. Rental Tools

U.S. rental tools segment revenues were \$144.7 million and \$52.6 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and were \$176.5 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by customer activity in U.S. land and offshore rentals.

U.S. rental tools segment operating gross margin excluding depreciation and amortization was \$69.0 million and \$29.0 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$92.7 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by revenues discussed above.

International Rental Tools

International rental tools segment revenues were \$71.3 million and \$21.1 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$79.2 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by well construction, well intervention services, and surface and tubular services.

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International rental tools segment operating gross margin excluding depreciation and amortization was \$10.6 million and \$0.5 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$3.9 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by revenues discussed above.

Drilling Services Business

U.S. (Lower 48) Drilling

U.S. (lower 48) drilling segment revenues were \$36.7 million and \$6.6 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$11.7 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by our inland barge rig fleet and O&M revenue.

U.S. (lower 48) drilling segment operating gross margin excluding depreciation and amortization was a gain of \$6.6 million and a loss of \$0.7 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and a loss of \$8.0 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by revenues discussed above.

International & Alaska Drilling

International & Alaska drilling segment revenues were \$219.7 million and \$77.1 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$213.4 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by O&M revenue and revenue from Company-owned rigs.

International & Alaska drilling segment operating gross margin excluding depreciation and amortization was \$32.0 million and \$7.7 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$14.1 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by revenues discussed above.

Other Financial Data

General and Administrative Expense

General and administrative expense was \$18.0 million and \$8.1 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$24.5 million for the year ended December 31, 2018. The results for the nine months ended December 31, 2019, and the three months ended March 31, 2019, were primarily driven by compensation expense and legal fees.

Loss on Impairment

There was no loss on impairment for the nine months ended December 31, 2019 or the three months ended March 31, 2019. Loss on impairment was \$50.7 million for the year ended December 31, 2018. During the third quarter of 2018 we had a loss on impairment of \$44.0 million which consisted of \$34.2 million for Gulf of Mexico inland barge asset group and \$9.8 million for international barge asset group. In addition, we performed our 2018 annual goodwill impairment review during the fourth quarter, as of October 1, 2018, and determined that the carrying value of the reporting unit exceeded its fair value and, therefore, the entire goodwill balance of \$6.7 million for U.S. rental tools segment was impaired and written off.

Gain (Loss) on Disposition of Assets, Net

Gain (loss) on disposition of assets, net was a gain of \$0.2 million and a gain of \$0.4 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and a loss of \$1.7 million for the year ended December 31, 2018. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Pre-petition Restructuring Charges

There were no pre-petition charges for the nine months ended December 31, 2019 or the three months ended March 31, 2019. Pre-petition charges were \$21.8 million for the year ended December 31, 2018, primarily consisting of professional fees related to the Chapter 11 Cases.

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Reorganization Items

Reorganization items were \$1.2 million and \$93.0 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively. The reorganization items for the nine months ended December 31, 2019, primarily consisted of professional fees in the amount of \$1.2 million, related to the Chapter 11 Cases. The reorganization items for the three months ended March 31, 2019, primarily consisted of gain on settlement of liabilities subject to compromise, loss from fresh start valuation adjustments, professional fees and backstop premium on rights offering in the amount of \$191.1 million, \$242.6 million, \$30.1 million and \$11.0 million, respectively, related to the Chapter 11 Cases. Reorganization items were \$9.8 million for the year ended December 31, 2018, primarily consisting of debt finance costs related to Senior Notes, professional fees, debt finance costs related to the 2015 Secured Credit Agreement and debtor-in-possession financing costs in the amount of \$5.4 million, \$2.3 million, \$1.2 million and \$1.0 million respectively, related to the Chapter 11 Cases.

Interest Expense and Income

Interest expense was \$20.9 million and \$0.3 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$42.6 million for the year ended December 31, 2018. The Company emerged from bankruptcy at the end of the first quarter of 2019, which resulted in a decrease in overall debt balance. Interest income was \$0.9 million and nominal for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively. Interest income was \$0.1 million for the year ended December 31, 2018. We earn interest income on our cash balances.

Other

Other income and expense was an expense of \$0.2 million and nominal for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and an expense of \$2.0 million for the year ended December 31, 2018. Activity in all periods primarily included the impact of foreign currency fluctuations.

Income Tax Expense

Income tax expense was \$11.1 million and \$0.7 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and was \$7.8 million for the year ended December 31, 2018. We recognized income tax expense due to the jurisdictional mix of income and loss during the period, along with our continued inability to recognize the benefits associated with certain losses as a result of valuation allowances, changes in uncertain tax positions, and the income tax impacts of adjustments made as part of Fresh Start Accounting.

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Liquidity and Capital Resources

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of expansion plans, operational and other cash needs. To meet our short-term liquidity requirements we primarily rely on our cash on hand and cash from operations. We also have access to cash through the Credit Facility. We expect that these sources of liquidity will be sufficient to provide us the ability to fund our current operations and required capital expenditures. We may need to fund capital expenditures, acquisitions, debt principal payments, or pursuits of business opportunities that support our strategy, through additional borrowings or the issuance of additional Successor Common Stock or other forms of equity. Our credit agreements limit our ability to pay dividends. In the past we have not paid dividends on our Predecessor Common Stock and we have no present intention to pay dividends on our Successor Common Stock in the foreseeable future.

Liquidity

The following table provides a summary of our total liquidity:

<i>Dollars in thousands</i>	December 31, 2019
Cash and cash equivalents ⁽¹⁾	\$ 104,951
Availability under Credit Facility ⁽²⁾	30,941
Total liquidity	\$ 135,892

(1) As of December 31, 2019, approximately \$51.9 million of the \$105.0 million of cash and equivalents was held by our foreign subsidiaries.

(2) As of December 31, 2019, the borrowing base availability under the Credit Facility was \$40.2 million, which was further reduced by \$9.3 million in supporting letters of credit outstanding, resulting in availability under the Credit Facility of \$30.9 million.

The earnings of foreign subsidiaries as of December 31, 2019 were reinvested to fund our international operations. If in the future we decide to repatriate earnings, the Company may be required to pay taxes on those amounts, which could reduce the liquidity of the Company at that time.

We do not have any unconsolidated special-purpose entities, off-balance sheet financing arrangements or guarantees of third-party financial obligations. As of December 31, 2019, we have no energy, commodity, or foreign currency derivative contracts.

Cash Flow Activity

We had cash, cash equivalents, and restricted cash of \$105.0 million and \$59.0 million at December 31, 2019 and December 31, 2018, respectively. The following table provides a summary of our cash flow activity:

<i>Dollars in thousands</i>	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Operating Activities	\$ 61,639	\$ 14,914	\$ (17,050)
Investing Activities	(70,315)	(9,130)	(69,214)
Financing Activities	(35,658)	84,510	3,706
Net change in cash, cash equivalents and restricted cash	<u>\$ (44,334)</u>	<u>\$ 90,294</u>	<u>\$ (82,558)</u>

Operating Activities

Cash flows from operating activities were a source of cash of \$61.6 million and \$14.9 million for the nine months ended December 31, 2019 and the three months ended March 31, 2019, respectively, and a use of cash of \$17.1 million for the year ended December 31, 2018. Cash flows from operating activities in each period were largely impacted by our operating results and changes in working capital. Changes in working capital were a use of cash of \$20.7 million and a source of cash of \$17.1 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and a use of cash of \$23.6 million for the year ended December 31, 2018.

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It is our intention to utilize our operating cash flows to fund maintenance and growth of our rental tool assets and drilling rigs. Given the oil and natural gas services market over the past few years, our short-term focus is to preserve liquidity by managing our costs and capital expenditures. While the overall market for oilfield services remains challenging, we are beginning to see a market recovery that is expected to increase our earnings, working capital and capital spending as we pursue attractive investment opportunities.

Investing Activities

Cash flows from investing activities were a use of cash of \$70.3 million and \$9.1 million for the nine months ended December 31, 2019 and the three months ended March 31, 2019, respectively, and \$69.2 million for the year ended December 31, 2018. Cash flows used in investing activities during the nine months ended December 31, 2019, and the three months ended March 31, 2019, included capital expenditures of \$71.1 million and \$9.2 million, respectively, and \$70.6 million for the year ended December 31, 2018, which were primarily used for tubular and other products for our rental tools services business and rig-related maintenance.

Capital expenditures for 2020 are estimated to range from \$85.0 million and \$95.0 million and will primarily be directed to our rental tools services business inventory and maintenance capital for our drilling services business. Future capital spending will be evaluated based upon adequate return requirements and available liquidity.

Financing Activities

Cash flows from financing activities were a use of \$35.7 million for the nine months ended December 31, 2019 primarily related to the \$35.2 million prepayment of the Term Loan (as defined below). Cash flows from financing activities were a source of cash of \$84.5 million for the three months ended March 31, 2019, primarily related to proceeds from the rights offering of \$95.0 million, partially offset by the payment of amounts borrowed under debtor in possession financing of \$10.0 million. Cash flows from financing activities were a source of cash of \$3.7 million for the year ended December 31, 2018 primarily related to amounts borrowed against the DIP Facility of \$10.0 million and payments of \$3.6 million, \$1.4 million and \$1.0 million for dividends on the Predecessor's Preferred Stock, debt issuance cost related to the Fifth Amendment to the 2015 Secured Credit Agreement and debtors-in-possession financing costs respectively.

Debt Summary

As of December 31, 2019, our principal amount of debt was related to the \$177.9 million Term Loan, due 2024.

Successor Credit Facility

On March 26, 2019, pursuant to the terms of the Plan, we and certain of our subsidiaries, entered into a credit agreement with the lenders party thereto (the "Credit Facility Lenders"), Bank of America, N.A., as administrative agent and Bank of America, N.A. and Deutsche Bank Securities Inc. as joint lead arrangers and joint bookrunners, providing for a revolving credit facility (as amended and restated by the Amended and Restated Credit Agreement (as defined below), the "Credit Facility") with initial aggregate commitments in the amount of \$50.0 million, guaranteed by certain of our subsidiaries. Availability under the Credit Facility is subject to a monthly borrowing base calculation and, prior to the Amended and Restated Credit Agreement, was based on eligible domestic rental equipment and eligible domestic accounts receivable. The Credit Facility provides for a \$30.0 million sublimit of the aggregate commitments that is available for the issuance of letters of credit. Prior to the Amended and Restated Credit Agreement, the Credit Facility required us to maintain minimum liquidity of \$25.0 million, defined as cash in our liquidity account not to exceed \$10.0 million and availability under the borrowing base, allowed for an increase to the aggregate commitments by up to an additional \$75.0 million, subject to certain conditions, matured on March 26, 2023, and bore interest either at a rate equal to:

- LIBOR plus an applicable margin that varies from 2.25 percent to 2.75 percent per annum or
- a base rate plus an applicable margin that varies from 1.25 percent to 1.75 percent per annum.

Prior to the Amended and Restated Credit Agreement, we were required to pay a commitment fee of 0.5 percent per annum on the actual daily unused portion of the current aggregate commitments under the Credit Facility. We are required to pay customary letter of credit and fronting fees under the Credit Facility.

The Credit Facility also contains customary affirmative and negative covenants, including, among other things, as to compliance with laws (including environmental laws and anti-corruption laws), delivery of quarterly and annual consolidated financial statements and monthly borrowing base certificates, conduct of business, maintenance of property, maintenance of insurance, restrictions on the incurrence of liens, indebtedness, asset dispositions, fundamental changes, restricted payments, and other customary covenants. Additionally, the Credit Facility contains customary events of default and remedies for credit

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facilities of this nature. If we do not comply with the financial and other covenants in the Credit Facility, the Credit Facility Lenders may, subject to customary cure rights, require immediate payment of all amounts outstanding under the Credit Facility, and any outstanding unfunded commitments may be terminated. As of December 31, 2019, we were in compliance with all the financial covenants under the Credit Facility.

On October 8, 2019, we entered into an amended and restated credit agreement (the “Amended and Restated Credit Agreement”), which amended and restated the Credit Facility. As a result of the Amended and Restated Credit Agreement:

- (1) the Credit Facility matures on October 8, 2024, subject to certain restrictions, including the refinancing of the Company’s Term Loan Agreement (as defined below),
- (2) our annual borrowing costs under the Credit Facility are lowered by reducing
 - the interest rate to (a) LIBOR plus a range of 1.75 percent to 2.25 percent (based on availability) or (b) a base rate plus a range of 0.75 percent to 1.25 percent (based on availability), and
 - the unused commitment fee to a range of 0.25 percent to 0.375 percent (based on utilization),
- (3) a \$25 million liquidity covenant was replaced with a minimum fixed charge coverage ratio requirement of 1.0x when excess availability is less than the greater of
 - 20.0 percent of the lesser of commitments and the borrowing base and
 - \$10.0 million,
- (4) an additional borrower was allowed to be included in the borrowing base upon completion of a field examination,
- (5) the calculation of the borrowing base was revised by, among other things, excluding eligible domestic rental equipment and including 90 percent of investment grade eligible domestic accounts receivable,
- (6) the Company was allowed to grant a second priority lien on non-working capital assets in the event of a refinancing of the Term Loan Agreement,
- (7) the amount allowed for an increase to the aggregate commitments was reduced from \$75.0 million to \$50.0 million, and
- (8) we were permitted to make a voluntary prepayment of \$35.0 million on our Term Loan on September 20, 2019 without such prepayment being included in the calculation of our fixed charge coverage ratio.

As of December 31, 2019, the borrowing base availability under the Credit Facility was \$40.2 million, which was further reduced by \$9.3 million in supporting letters of credit outstanding, resulting in availability under the Credit Facility of \$30.9 million. As of December 31, 2019, debt issuance costs of \$1.5 million (\$1.3 million, net of amortization) are being amortized over the term of the Credit Facility on a straight-line basis.

Successor Term Loan, Due March 2024

On March 26, 2019, pursuant to the terms of the Plan, we and certain of our subsidiaries entered into a second lien term loan credit agreement (the “Term Loan Agreement”) with the lenders party thereto (the “Term Loan Lenders”) and UMB Bank, N.A., as administrative agent, providing for term loans (the “Term Loan”) in the amount of \$210.0 million, guaranteed by certain of our subsidiaries. The Term Loan matures on March 26, 2024.

The Term Loan bears interest at a rate of 13.0 percent per annum, payable quarterly on the first day of each January, April, July, and October, beginning July 1, 2019, with 11.0 percent paid in cash and 2.0 percent paid in kind and capitalized by adding such amount to the outstanding principal.

We may voluntarily prepay all or a part of the Term Loan and, under certain conditions we are required to prepay all or a part of the Term Loan, in each case, at a premium (1) on or prior to 6 months after the closing date of 0 percent; (2) from 6 months and on or prior to two years after the closing date of 6.50 percent; (3) from two years and on or prior to three years after the closing date of 3.25 percent; and (4) from three years after the closing date and thereafter of 0 percent.

On September 20, 2019, we made a voluntary prepayment on the Term Loan of \$35.0 million in principal, plus \$1.0 million in interest associated with the principal payment. Since the prepayment occurred within the first six months from the closing date, no premium was applicable on the prepayment. As of December 31, 2019, the Term Loan balance was \$177.9 million.

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The Term Loan is subject to mandatory prepayments and customary reinvestment rights. The mandatory prepayments include prepayment requirements with respect to a change of control, asset sales and debt issuances, in each case subject to certain exceptions or conditions. The Term Loan Agreement also contains customary affirmative and negative covenants, including as to compliance with laws (including environmental laws and anti-corruption laws), delivery of quarterly and annual financial statements, conduct of business, maintenance of property, maintenance of insurance, restrictions on the incurrence of liens, indebtedness, asset dispositions, fundamental changes, restricted payments and other customary covenants. Additionally, the Term Loan Agreement contains customary events of default and remedies for facilities of this nature. If we do not comply with the covenants in the Term Loan Agreement, the Term Loan Lenders may, subject to customary cure rights, require immediate payment of all amounts outstanding under the Term Loan Agreement. As of December 31, 2019, we were in compliance with all the financial covenants under the Term Loan Agreement.

Predecessor 6.75% Senior Notes, Due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of the 6.75% Notes pursuant to the 6.75% Notes Indenture. The 6.75% Notes were general unsecured obligations of the Company and ranked equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes were jointly and severally guaranteed by all of our subsidiaries that guaranteed indebtedness under the Second Amended and Restated Senior Secured Credit Agreement, as amended from time-to-time ("2015 Secured Credit Agreement") and our 7.50% Notes. Interest on the 6.75% Notes was payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes were approximately \$7.6 million. After the commencement of the Chapter 11 Cases, the carrying amount of debt was adjusted to the claim amount and all unamortized debt issuance costs prior to the commencement of the Chapter 11 Cases were fully expensed.

Predecessor 7.50% Senior Notes, Due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to the 7.50% Notes Indenture. The 7.50% Notes were general unsecured obligations of the Company and ranked equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes were jointly and severally guaranteed by all of our subsidiaries that guaranteed indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes was payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes were approximately \$5.6 million. After the commencement of the Chapter 11 Cases, the carrying amount of debt was adjusted to the claim amount and all unamortized debt issuance costs prior to the commencement of the Chapter 11 Cases were fully expensed.

The commencement of the Chapter 11 Cases constituted an event of default that accelerated the Company's obligations under the indentures governing the 6.75% Notes and the 7.50% Notes. However, any efforts to enforce such payment obligations were automatically stayed under the provisions of the Bankruptcy Code. The principal balance on the 6.75% Notes and 7.50% Notes of \$360.0 million and \$225.0 million, respectively, had been reclassified from long-term debt to liabilities subject to compromise as of December 31, 2018. See also Note 2 - Chapter 11 Emergence for further details.

As previously disclosed in our Current Report on Form 8-K filed with the SEC on March 26, 2019, our obligations with respect to the Senior Notes as well as our subsidiaries' obligations under their respective guarantees under the 6.75% Notes Indenture and the 7.50% Notes Indenture (and the Senior Notes) were cancelled and extinguished as provided in the Plan. From and after March 26, 2019, neither the Company nor its subsidiaries have any continuing obligations under the 6.75% Notes Indenture and 7.50% Notes Indenture or with respect to the Senior Notes or the guarantees related thereto except to the extent specifically provided in the Plan.

Predecessor 2015 Secured Credit Agreement

On January 26, 2015, we entered into the 2015 Secured Credit Agreement. The 2015 Secured Credit Agreement was originally comprised of a \$200.0 million revolving credit facility (the "Revolver"). The 2015 Secured Credit Agreement formerly included financial maintenance covenants, including a leverage ratio, consolidated interest coverage ratio, senior secured leverage ratio, and asset coverage ratio, many of which were suspended beginning in September 2015.

We executed various amendments which, among other things: (1) modified the credit facility to an asset-based lending structure, (2) reduced the size of the Revolver to \$80.0 million, (3) eliminated the financial maintenance covenants previously in effect and replaced them with a minimum liquidity covenant of \$30.0 million and a monthly borrowing base calculation, (4) allowed for the refinancing of our existing Senior Notes with either secured or unsecured debt, (5) added the ability for the Company to designate certain of its subsidiaries as "Designated Borrowers", and (6) permitted the Company to make restricted payments in the form of certain equity interests.

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On October 25, 2018, we entered into a Consent Agreement and a Cash Collateral Agreement, whereby we could open bank accounts not subject to the 2015 Secured Credit Agreement for the purpose of depositing cash to secure certain letters of credit. On October 30, 2018, we deposited \$10.0 million into a cash collateral account to support the letters of credit outstanding, which is included in the restricted cash balance on the consolidated balance sheet as of December 31, 2018.

Our obligations under the 2015 Secured Credit Agreement were guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which has executed guaranty agreements, and were secured by first priority liens on our accounts receivable, specified rigs including barge rigs in the Gulf of Mexico (“GOM”) and land rigs in Alaska, certain U.S.-based rental equipment of the Company and its subsidiary guarantors and the equity interests of certain of the Company’s subsidiaries. In addition to the liquidity covenant and borrowing base requirements, the 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness and liens, and restrictions on entry into certain affiliate transactions and payments (including certain payments of dividends).

All of the Company’s obligations under the 2015 Secured Credit Agreement were paid prior to the commencement of the Chapter 11 Cases, and the 2015 Secured Credit Agreement, including the Revolver thereunder, was terminated concurrently with the commencement of the Chapter 11 Cases. See also Note 2 - Chapter 11 Emergence for further details. Unamortized debt issuance costs were fully expensed upon termination of the 2015 Secured Credit Agreement.

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Other Matters

Business Risks

See Item 1A. Risk Factors, for a discussion of risks related to our business.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to fair value of assets, bad debt, materials and supplies obsolescence, property and equipment, income taxes, workers' compensation and health insurance and contingent liabilities for which settlement is deemed to be probable. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that such estimates are reasonable, actual results could differ from these estimates.

We believe the following are our most critical accounting policies as they can be complex and require significant judgments, assumptions and/or estimates in the preparation of our consolidated financial statements. Other significant accounting policies are summarized in Note 1 - Summary of Significant Accounting Policies of the consolidated financial statements.

Fair Value Measurements

For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Impairment of Property, Plant, and Equipment

We evaluate the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable. For example, evaluations are performed when we experience sustained significant declines in utilization and dayrates, and we do not contemplate recovery in the near future. In addition, we evaluate our assets when we reclassify property and equipment to assets held for sale or as discontinued operations as prescribed by accounting guidance related to accounting for the impairment or disposal of long-lived assets. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the concluded current fair value is below the net carrying value.

Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different carrying values of our assets.

Intangible Assets

Our intangible assets are related to customer relationships, trade names and developed technology, and are amortized over a period of approximately three, five and six years, respectively. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

Accrual for Self-Insurance

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Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, cratering, oil and natural gas well fires and explosions, natural disasters, pollution, mechanical failure and damage or loss during transportation. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. These hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage, which could lead to claims by third parties or customers, suspension of operations and contract terminations. We have had accidents in the past due to some of these hazards.

Our contracts provide for varying levels of indemnification between ourselves and our customers, including with respect to well control and subsurface risks. We seek to obtain indemnification from our customers by contract for certain of these risks. We also maintain insurance for personal injuries, damage to or loss of equipment and other insurance coverage for various business risks. To the extent that we are unable to transfer such risks to customers by contract or indemnification agreements, we seek protection through insurance. However, these insurance or indemnification agreements may not adequately protect us against liability from all of the consequences of the hazards described above. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of an insurance coverage deductible.

Based on the risks discussed above, we estimate our liability in excess of insurance coverage and accrue for these amounts in our consolidated financial statements. Accruals related to insurance are based on the facts and circumstances specific to the insurance claims and our past experience with similar claims. The actual outcome of insured claims could differ significantly from the amounts estimated. We accrue actuarially determined amounts in our consolidated balance sheet to cover self-insurance retentions for workers' compensation, employers' liability, general liability, automobile liability and health benefits claims. These accruals use historical data based upon actual claim settlements and reported claims to project future losses. These estimates and accruals have historically been reasonable in light of the actual amount paid on claims.

As the determination of our liability for insurance claims could be material and is subject to significant management judgment and in certain instances is based on actuarially estimated and calculated amounts, management believes that accounting estimates related to insurance accruals are critical.

Accounting for Income Taxes

We are a U.S. company and we operate through our various foreign legal entities and their branches and subsidiaries in numerous countries throughout the world. Consequently, our tax provision is based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates imposed and methods of computing taxable income in these jurisdictions vary. Therefore, as part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and certain accrued liabilities for tax and accounting purposes. Our effective tax rate for financial statement purposes will continue to fluctuate from year to year as our operations are conducted in different taxing jurisdictions. Current income tax expense represents either liabilities expected to be reflected on our income tax returns for the current year, nonresident withholding taxes or changes in prior year tax estimates which may result from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities reported on the consolidated balance sheet. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding amounts and sources of future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, as well as changes in tax laws, could require us to adjust the deferred tax assets and liabilities or valuation allowances, including as discussed below.

Our ability to realize the benefit of our deferred tax assets requires that we achieve certain future earnings levels prior to expiration. Evaluations of the realizability of deferred tax assets are, by nature, highly subjective. They involve expectations about future operations and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different determinations of our ability to realize deferred tax assets. In the event that our earnings performance projections do not indicate that we will be able to benefit from our deferred tax assets, valuation allowances are established following the "more likely than not" criteria. We periodically evaluate our ability to utilize our deferred tax assets and, in accordance with accounting guidance related to accounting for income taxes, will record any resulting adjustments that may be required to deferred income tax expense in the period for which an existing estimate changes.

We do not currently provide for deferred taxes on unremitted earnings of our foreign subsidiaries as such earnings were reinvested to fund our international operations. If the unremitted earnings were to be distributed, we could be subject to taxes and

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foreign withholding taxes though it is not practicable to determine the resulting liability, if any, that would result on the distribution of such earnings. We annually review our position and may elect to change our future tax position.

We apply the accounting standards related to uncertainty in income taxes. This accounting guidance requires that management make estimates and assumptions affecting amounts recorded as liabilities and related disclosures due to the uncertainty as to final resolution of certain tax matters. Because the recognition of liabilities under this interpretation may require periodic adjustments and may not necessarily imply any change in management's assessment of the ultimate outcome of these items, the amount recorded may not accurately reflect actual outcomes.

Revenue Recognition

Contract drilling revenues and expenses, comprised of daywork drilling contracts, call-outs against master service agreements and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months. Our project related services contracts include engineering, consulting, and project management scopes of work and revenue is typically recognized on a time and materials basis.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated for losses that may occur resulting from disputed amounts and the inability of our customers to pay amounts owed. We estimate the allowance based on historical write-off experience and information about specific customers. We review individually, for collectability, all balances over 90 days past due as well as balances due from any customer with respect to which we have information leading us to believe that a risk exists for potential collection.

Legal and Investigative Matters

As of December 31, 2019, we have accrued an estimate of the probable and estimable costs for the resolution of certain legal and investigation matters. We have not accrued any amounts for other matters for which the liability is not probable and reasonably estimable. Generally, the estimate of probable costs related to these matters is developed in consultation with our legal advisors. The estimates take into consideration factors such as the complexity of the issues, litigation risks and settlement costs. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected.

Recent Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Note 19 - Recent Accounting Pronouncements in Item 8. Financial Statements and Supplementary Data.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors Parker Drilling Company:

Opinion on Internal Control Over Financial Reporting

We have audited Parker Drilling Company and subsidiaries (the Company) internal control over financial reporting as of December 31, 2019 (Successor), based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 (Successor), based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 (Successor) and 2018 (Predecessor), the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the nine months ended December 31, 2019 (Successor), for the three months ended March 31, 2019 (Predecessor), and for the year ended December 31, 2018 (Predecessor), and the related notes and the financial statement Schedule II- Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated March 4, 2020, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Houston, Texas
March 4, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors Parker Drilling Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Parker Drilling Company and subsidiaries (the Company) as of December 31, 2019 (Successor) and 2018 (Predecessor), the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the nine months ended December 31, 2019 (Successor), for the three months ended March 31, 2019 (Predecessor), and for the year ended December 31, 2018 (Predecessor), and the related notes and the financial statement Schedule II- Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 (Successor) and 2018 (Predecessor), and the results of its operations and its cash flows for the nine months ended December 31, 2019 (Successor), for the three months ended March 31, 2019 (Predecessor), and for the year ended December 31, 2018 (Predecessor), in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States (PCAOB)), the Company's internal control over financial reporting as of December 31, 2019 (Successor), based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 4, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis of Presentation

As discussed in Note 2 to the consolidated financial statements, the Company emerged from bankruptcy on March 26, 2019 with a reporting date of March 31, 2019 as discussed in Note 1. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with Accounting Standards Codification Topic 852, Reorganizations, for the Successor as a new entity with assets, liabilities and a capital structure having carrying amounts not comparable with prior periods as discussed in Note 3.

Change in Accounting Principle

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Houston, Texas
March 4, 2020

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Data)

	Successor	Predecessor
	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104,951	\$ 48,602
Restricted cash	—	10,389
Accounts receivable, net	166,456	136,437
Rig materials and supplies	23,267	36,245
Deferred costs	5,223	4,353
Other tax assets	2,949	2,949
Other current assets	17,688	27,929
Total current assets	320,534	266,904
Property, plant, and equipment, net (Note 4)	299,768	534,371
Intangible assets, net (Note 5)	13,675	4,821
Rig materials and supplies	4,766	12,971
Deferred income taxes	4,416	2,143
Other non-current assets	39,689	7,204
Total assets	\$ 682,848	\$ 828,414
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Debtor in possession financing (Note 2)	\$ —	\$ 10,000
Accounts payable	55,104	39,678
Accrued liabilities	57,954	35,385
Accrued income taxes	5,058	3,385
Total current liabilities	118,116	88,448
Long-term debt (Note 8)	177,937	—
Other long-term liabilities	25,892	11,544
Long-term deferred tax liability	7,002	510
Commitments and contingencies (Note 11)		
Total liabilities not subject to compromise	328,947	100,502
Liabilities subject to compromise (Note 2)	—	600,996
Total liabilities	328,947	701,498

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	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Stockholders' equity:		
Predecessor preferred stock, \$1.00 par value, 1,942,000 shares authorized, 500,000 shares issued and outstanding	—	500
Predecessor common stock, \$0.16 ^{2/3} par value, 18,666,667 shares authorized, 9,385,060 shares issued and outstanding (9,384,669 shares issued and outstanding in 2018)	—	1,398
Predecessor capital in excess of par value	—	766,347
Predecessor accumulated other comprehensive income (loss)	—	(6,879)
Successor common stock, \$0.01 par value, 500,000,000 shares authorized, 15,044,739 shares issued and outstanding	150	—
Successor capital in excess of par value	347,340	—
Successor accumulated other comprehensive income (loss)	(98)	—
Retained earnings (accumulated deficit)	6,509	(634,450)
Total stockholders' equity	353,901	126,916
Total liabilities and stockholders' equity	<u>\$ 682,848</u>	<u>\$ 828,414</u>

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Revenues	\$ 472,395	\$ 157,397	\$ 480,821
Expenses:			
Operating expenses	354,175	120,871	378,104
Depreciation and amortization	61,499	25,102	107,545
	<u>415,674</u>	<u>145,973</u>	<u>485,649</u>
Total operating gross margin	56,721	11,424	(4,828)
General and administrative expense	(17,967)	(8,147)	(24,545)
Loss on impairment	—	—	(50,698)
Gain (loss) on disposition of assets, net	226	384	(1,724)
Pre-petition restructuring charges	—	—	(21,820)
Reorganization items	(1,173)	(92,977)	(9,789)
Total operating income (loss)	<u>37,807</u>	<u>(89,316)</u>	<u>(113,404)</u>
Other income (expense):			
Interest expense	(20,902)	(274)	(42,565)
Interest income	887	8	91
Other	(188)	(10)	(2,023)
Total other income (expense)	<u>(20,203)</u>	<u>(276)</u>	<u>(44,497)</u>
Income (loss) before income taxes	<u>17,604</u>	<u>(89,592)</u>	<u>(157,901)</u>
Income tax expense			
Current tax expense	5,190	2,341	8,225
Deferred tax expense (benefit)	5,905	(1,685)	(429)
Total income tax expense	<u>11,095</u>	<u>656</u>	<u>7,796</u>
Net income (loss)	<u>6,509</u>	<u>(90,248)</u>	<u>(165,697)</u>
Less: Predecessor preferred stock dividend	—	—	2,719
Net income (loss) available to common stockholders	<u>\$ 6,509</u>	<u>\$ (90,248)</u>	<u>\$ (168,416)</u>
Basic earnings (loss) per common share:	\$ 0.43	\$ (9.63)	\$ (18.09)
Diluted earnings (loss) per common share:	\$ 0.43	\$ (9.63)	\$ (18.09)
Number of common shares used in computing earnings per share:			
Basic	15,044,919	9,368,322	9,311,722
Diluted	15,060,365	9,368,322	9,311,722

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)

	Successor		Predecessor			
	Nine Months Ended December 31,		Three Months Ended March 31,		Year Ended December 31,	
	2019		2019		2018	
Net income (loss)	\$	6,509	\$	(90,248)	\$	(165,697)
Other comprehensive income (loss), net of tax:						
Currency translation difference on related borrowings		(148)		141		(646)
Currency translation difference on foreign currency net investments		50		(518)		(2,721)
Total other comprehensive income (loss), net of tax:		(98)		(377)		(3,367)
Comprehensive income (loss)	\$	6,411	\$	(90,625)	\$	(169,064)

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Cash flows from operating activities:			
Net income (loss)	\$ 6,509	\$ (90,248)	\$ (165,697)
Adjustments to reconcile net income (loss):			
Depreciation and amortization	61,499	25,102	107,545
(Gain) loss on disposition of assets, net	(226)	(384)	1,724
Deferred tax expense (benefit)	5,905	(1,685)	(429)
Loss on impairment	—	—	50,698
Reorganization items	—	62,470	7,538
Expenses not requiring cash	8,681	2,575	5,151
Change in assets and liabilities:			
Accounts receivable	1,611	(32,842)	(15,235)
Rig materials and supplies	(6,335)	—	249
Other current assets	(4,027)	(6,542)	(10,860)
Other non-current assets	(4,805)	—	13,019
Accounts payable and accrued liabilities	(4,646)	55,780	(9,489)
Accrued income taxes	(2,527)	688	(1,264)
Net cash provided by (used in) operating activities	61,639	14,914	(17,050)
Cash flows from investing activities:			
Capital expenditures	(71,107)	(9,231)	(70,567)
Proceeds from the sale of assets	792	101	1,353
Net cash provided by (used in) investing activities	(70,315)	(9,130)	(69,214)
Cash flows from financing activities:			
Payment of term loan	(35,158)	—	—
Payments of debt issuance costs	(500)	(490)	(1,443)
Proceeds from rights offering	—	95,000	—
Payment of amounts borrowed under debtor in possession facility	—	(10,000)	—
Predecessor preferred stock dividend	—	—	(3,625)
Shares surrendered in lieu of tax	—	—	(251)
Proceeds from borrowing under debtor in possession facility	—	—	10,000
Payment of debtor in possession facility costs	—	—	(975)
Net cash provided by (used in) financing activities	(35,658)	84,510	3,706
Net increase (decrease) in cash and cash equivalents and restricted cash	(44,334)	90,294	(82,558)
Cash, cash equivalents and restricted cash at beginning of period	149,285	58,991	141,549
Cash, cash equivalents and restricted cash at end of period	\$ 104,951	\$ 149,285	\$ 58,991

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars and Shares in Thousands)

	Shares	Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2017 (Predecessor)	9,762	\$ 500	\$ 1,548	\$ (170)	\$ 766,508	\$ (468,753)	\$ (3,512)	\$ 296,121
Activity in employees' stock plans	123	—	20	—	(275)	—	—	(255)
Amortization of stock-based awards	—	—	—	—	2,833	—	—	2,833
Predecessor preferred stock dividend	—	—	—	—	(2,719)	—	—	(2,719)
Comprehensive Income:								
Net income	—	—	—	—	—	(165,697)	—	(165,697)
Other comprehensive income (loss)	—	—	—	—	—	—	(3,367)	(3,367)
Balances, December 31, 2018 (Predecessor)	9,885	500	1,568	(170)	766,347	(634,450)	(6,879)	126,916
Amortization of stock-based awards	—	—	—	—	1,446	—	—	1,446
Comprehensive Income:								
Net income (loss)	—	—	—	—	—	(90,248)	—	(90,248)
Other comprehensive income (loss)	—	—	—	—	—	—	(377)	(377)
Balances, March 31, 2019 (Predecessor)	9,885	500	1,568	(170)	767,793	(724,698)	(7,256)	37,737
Cancellation of predecessor equity	(9,885)	(500)	(1,568)	170	(767,793)	724,698	7,256	(37,737)
Balances, March 31, 2019 (Predecessor)	—	—	—	—	—	—	—	—
Issuances of successor common stock	15,044	—	150	—	328,800	—	—	328,950
Issuances of successor warrants	—	—	—	—	14,687	—	—	14,687
Equity issuance costs	—	—	—	—	(837)	—	—	(837)
Balances, March 31, 2019 (Successor)	15,044	—	150	—	342,650	—	—	342,800
Amortization of stock-based awards	—	—	—	—	4,690	—	—	4,690
Comprehensive Income:								
Net income (loss)	—	—	—	—	—	6,509	—	6,509
Other comprehensive income (loss)	—	—	—	—	—	—	(98)	(98)
Balances, December 31, 2019 (Successor)	15,044	\$ —	\$ 150	\$ —	\$ 347,340	\$ 6,509	\$ (98)	\$ 353,901

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Operations

Unless otherwise indicated, the terms “Company,” “Parker,” “we,” “us,” “its” and “our” refer to Parker Drilling Company, incorporated in Delaware, together with its wholly-owned subsidiaries, and “Parker Drilling” refers solely to the parent, Parker Drilling Company. Parker is an international provider of contract drilling and drilling-related services, as well as, rental tools and services. We have operated in over 60 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and are audited. In the opinion of the Company, these consolidated financial statements include all adjustments which, unless otherwise disclosed, are of a normal recurring nature, necessary for their fair presentation for the periods presented.

Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries in which we exercise control or have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity’s losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50.0 percent interest in an entity but Parker Drilling’s interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications did not materially affect our consolidated financial results.

Use of Estimates

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and our revenues and expenses during the periods reported. Estimates are typically used when accounting for certain significant items such as legal or contractual liability accruals, self-insured medical/dental plans, impairment, income taxes and valuation allowance, operating lease right-of-use assets, operating lease liabilities and other items requiring the use of estimates. Estimates are based on a number of variables, which may include third party valuations, historical experience, where applicable, and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ from management estimates.

Cash, Cash Equivalents and Restricted Cash

For purposes of the consolidated balance sheets and the consolidated statements of cash flows, the Company considers cash equivalents to be highly liquid debt instruments that have a remaining maturity of three months or less at the date of purchase.

	Successor	Predecessor
	December 31,	December 31,
	2019	2018
<i>Dollars in thousands</i>		
Cash and cash equivalents	\$ 104,951	\$ 48,602
Restricted cash	—	10,389
Cash, cash equivalents and restricted cash at end of period	\$ 104,951	\$ 58,991

The restricted cash balance as of December 31, 2018 included \$9.8 million in a cash collateral account to support the letters of credit outstanding and \$0.6 million held as compensating balances in the ordinary course of business for purchases and utilities.

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Accounts Receivable and Allowance for Bad Debts

Trade accounts receivable are recorded at the invoice amount and typically do not bear interest. The allowance for bad debt is estimated for losses that may occur resulting from disputed amounts and the inability of our customers to pay amounts owed. We estimate the allowance based on historical write-off experience and information about specific customers. We review individually, for collectability, all balances over 90 days past due as well as balances due from any customer with respect to which we have information leading us to believe that a risk exists for potential collection.

Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to customers.

The components of our accounts receivable, net of allowance for bad debt balance are as follows:

	Successor	Predecessor
	December 31, 2019	December 31, 2018
<i>Dollars in thousands</i>		
Accounts Receivable	\$ 166,799	\$ 144,204
Allowance for bad debts ⁽¹⁾	(343)	(7,767)
Accounts receivable, net of allowance for bad debts	\$ 166,456	\$ 136,437

(1) Additional information on the allowance for bad debt as of December 31, 2019 and 2018, is reported on Schedule II — Valuation and Qualifying Accounts in Item 15. Exhibits and Financial Statement Schedules.

Rig Materials and Supplies

Because international drilling generally occurs in remote locations, making timely delivery of spare parts uncertain, a complement of parts and supplies is maintained either at the drilling site or in warehouses close to the operation. During periods of high rig utilization, these parts are generally consumed and replenished within a one-year period. During a period of lower rig utilization in a particular location, the parts, like the related idle rigs, are generally not transferred to other international locations until new contracts are obtained because of the significant transportation costs that would result from such transfers. We classify those parts which are not expected to be utilized in the following year as long-term assets. Additionally, our International rental tools business holds machine shop consumables and steel stock for manufacture in our machine shops and inspection and repair shops, which are classified as current assets. Rig materials and supplies are valued at the lower of cost or market value.

Property, Plant, and Equipment

Property, plant, and equipment is carried at cost. Maintenance and most repair costs are expensed as incurred. The cost of upgrades and replacements is capitalized. The Company capitalizes software developed or obtained for internal use. Accordingly, the cost of third-party software, as well as the cost of third-party and internal personnel that are directly involved in application development activities, are capitalized during the application development phase of new software systems projects. Costs during the preliminary project stage and post-implementation stage of new software systems projects, including data conversion and training costs, are expensed as incurred. We account for depreciation of property, plant, and equipment on the straight-line method over the estimated useful lives of the assets after provision for salvage value. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the lease. Depreciation, for tax purposes, utilizes several methods of accelerated depreciation. See Note 4 - Property, Plant, and Equipment.

Depreciable lives for different categories of property, plant, and equipment are as follows:

Computer, office equipment, and other	3 to 10 years
Land drilling equipment	3 to 20 years
Barge drilling equipment	3 to 20 years
Drill pipe, rental tools, and other	4 to 15 years
Buildings and improvements	5 to 30 years

Impairment

We evaluate the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable. We evaluate recoverability by determining the undiscounted estimated future net cash flows for the respective asset groups identified. If the sum of the estimated undiscounted

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cash flows is less than the carrying value of the asset group, we measure the impairment as the amount by which the assets' carrying value exceeds the fair value of such assets. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the final estimate of current fair value is below the net carrying value. The assumptions used in the impairment evaluation are inherently uncertain and require management judgment.

Intangible Assets

Our intangible assets are related to customer relationships, trade names and developed technology, which are classified as definite lived intangibles that are generally amortized over a weighted average period of approximately three to six years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss. See Note 5 - Intangible Assets.

Capitalized Interest

Interest from external borrowings is capitalized on major projects until the assets are ready for their intended use. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets. Capitalized interest costs reduce net interest expense in the consolidated statements of operations.

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
<i>Dollars in thousands</i>		
Capitalized interest	\$ —	\$ 125

Assets Held for Sale

We classify an asset as held for sale when the facts and circumstances meet the criteria for such classification, including the following: (a) we have committed to a plan to sell the asset, (b) the asset is available for immediate sale, (c) we have initiated actions to complete the sale, including locating a buyer, (d) the sale is expected to be completed within one year, (e) the asset is being actively marketed at a price that is reasonable relative to its fair value, and (f) the plan to sell is unlikely to be subject to significant changes or termination.

Income Taxes

Income taxes are accounted for under the asset and liability method and have been provided for based upon tax laws and rates in effect in the countries in which operations are conducted and income or losses are generated. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes as the countries in which we operate have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits, and other benefits. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled and the effect of changes in tax rates is recognized in income in the period in which the change is enacted. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, including changes in tax laws and other changes affecting our ability to recognize the underlying deferred tax assets, could require us to adjust the valuation allowances.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50.0 percent likely of being realized and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. See Note 10 - Income Taxes for further details.

Leases

As lessee, our leases are primarily operating leases. See Note 6 - Operating Leases.

As lessor, our leases are primarily operating leases which are included in revenue in our consolidated statement of operations. See Note 15 - Revenue.

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Fair Value Measurements

See Note 9 - Fair Value Measurements.

Foreign Currency

For certain subsidiaries and branches outside the U.S., the local currency is the functional currency. The financial statements of these subsidiaries and branches are translated into U.S. dollars as follows: (i) assets and liabilities at month-end exchange rates; (ii) income, expenses and cash flows at monthly average exchange rates or exchange rates in effect on the date of the transaction; and (iii) stockholders' equity at historical exchange rates. For those subsidiaries where the local currency is the functional currency, the resulting translation adjustment is recorded as a component of accumulated other elements of comprehensive income (loss) in the accompanying consolidated balance sheets.

Legal and Investigative Matters

We accrue estimates of the probable and estimable costs for the resolution of certain legal and investigative matters. We do not accrue any amounts for other matters for which the liability is not probable and reasonably estimable. Generally, the estimate of probable costs related to these matters is developed in consultation with our legal advisors. The estimates take into consideration factors such as the complexity of the issues, litigation risks and settlement costs. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected.

Revenue Recognition

See Note 15 - Revenue.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally do not require collateral on our trade receivables. We depend on a limited number of significant customers. Our largest customer, Exxon Neftegas Limited ("ENL"), constituted approximately 29.3 percent of our consolidated revenues for the nine months ended December 31, 2019. Excluding revenues from reimbursable costs ("reimbursable revenues") of \$63.2 million, ENL constituted approximately 18.6 percent of our total consolidated revenues for the nine months ended December 31, 2019. For the three months ended March 31, 2019, ENL constituted approximately 31.2 percent of our total consolidated revenues. Excluding reimbursable revenues of \$26.3 million, ENL constituted approximately 17.7 percent of our total consolidated revenues for the three months ended March 31, 2019.

The following table includes our deposits in domestic banks in excess of federally insured limits and uninsured deposits in foreign banks:

<i>Dollars in thousands</i>	Successor	Predecessor
	December 31, 2019	December 31, 2018
Deposits in domestic banks in excess of federally insured limits	\$ 53,303	\$ 27,520
Uninsured deposits in foreign banks	\$ 51,884	\$ 32,907

Stock-Based Compensation

Under our long-term incentive plan, we are authorized to issue the following: stock options; stock appreciation rights; restricted stock; restricted stock units; performance-based awards; and other types of awards in cash or stock to key employees, consultants, and directors. We typically grant restricted stock units, time-based phantom stock units, performance cash units, and performance-based phantom stock units.

Stock-based compensation expense is recognized, net of an estimated forfeiture rate, which is based on historical experience and adjusted, if necessary, in subsequent periods based on actual forfeitures. We recognize stock-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. Tax deduction benefits for awards in excess of recognized compensation costs are reported as an operating cash flow. See Note 12 - Stock-Based Compensation.

Earnings (Loss) Per Share (EPS)

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Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The effects of dilutive securities such as Successor unvested restricted stock units, Successor unvested stock options, Successor warrants and Predecessor preferred stock are included in the diluted EPS calculation, when applicable. See Note 14 - Earnings (Loss) Per Share (EPS)

Bankruptcy

On December 12, 2018 (the "Petition Date"), Parker Drilling and certain of its U.S. subsidiaries (collectively, the "Debtors") filed a prearranged plan of reorganization (the "Plan") and commenced voluntary petitions under chapter 11 (the "Chapter 11 Cases") of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). The Plan was confirmed by the Bankruptcy Court on March 7, 2019, and the Debtors emerged from the bankruptcy proceedings on March 26, 2019 (the "Plan Effective Date"). The consolidated financial statements included herein have been prepared as if we were a going concern and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 852, Reorganizations ("Topic 852"). See Note 2 - Chapter 11 Emergence and Note 3 - Fresh Start Accounting for further details.

Note 2 - Chapter 11 Emergence

On December 12, 2018, prior to the commencement of the Chapter 11 Cases, the Debtors entered into a restructuring support agreement (as amended on January 28, 2019, the "RSA") with certain significant holders of (1) 7.50% Senior Notes, due 2020 (the "7.50% Note Holders") issued pursuant to the indenture (the "7.50% Notes Indenture") dated July 30, 2013 (the "7.50% Notes"), by and among Parker Drilling, the subsidiary guarantors party thereto and Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), (2) 6.75% Senior Notes, due 2022 (the "6.75% Note Holders") issued pursuant to the indenture (the "6.75% Notes Indenture") dated January 22, 2014 (the "6.75% Notes" and together with the 7.50% Notes, the "Senior Notes"), by and among Parker Drilling, the subsidiary guarantors party thereto and the Trustee, (3) Parker Drilling's existing common stock (the "Predecessor Common Stock") and (4) Parker Drilling's 7.25% Series A Mandatory Convertible Preferred Stock (the "Predecessor Preferred Stock" and such holders to support a restructuring (the "Restructuring") on the terms set forth in the Plan.

On the Petition Date, the Debtors filed voluntary petitions for reorganization under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas pursuant to a prearranged plan of reorganization. The Plan was confirmed by the Bankruptcy Court on March 7, 2019, and the Debtors emerged from the bankruptcy proceedings on March 26, 2019.

References to "Successor" relate to the consolidated condensed statement of operations or consolidated condensed balance sheet of the reorganized Company as of and subsequent to March 31, 2019. References to "Predecessor" relate to the consolidated condensed balance sheet of the Company prior to, and consolidated condensed statement of operations through and including, March 31, 2019.

On March 26, 2019:

- (1) the Company amended and restated its certificate of incorporation and bylaws;
- (2) the Company appointed new members to the Successor's board of directors to replace directors of the Predecessor;
- (3) the Company issued:
 - 2,827,323 shares of Successor Common Stock pro rata to 7.50% Note Holders;
 - 5,178,860 shares of Successor Common Stock pro rata to 6.75% Note Holders;
 - 90,558 shares of Successor Common Stock and 1,032,073 Successor warrants to purchase 1,032,073 shares of Successor Common Stock pro rata to holders of the Predecessor Preferred Stock;
 - 135,838 shares of Successor Common Stock and 1,548,109 Successor warrants to purchase 1,548,109 shares of Successor Common Stock pro rata to holders of the Predecessor Common Stock;
 - 504,577 shares of Successor Common Stock to commitment parties under that certain Backstop Commitment Agreement, dated December 12, 2018 and amended and restated on January 28, 2019, (as amended and restated, the "Backstop Commitment Agreement") in respect of the commitment premium due thereunder;
 - 1,403,910 shares of Successor Common Stock to the commitment parties under the Backstop Commitment Agreement in connection with their backstop obligation thereunder to purchase unsubscribed shares of Successor Common Stock; and

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- 4,903,308 shares of Successor Common Stock to participants in the rights offering extended by Parker to the applicable classes under the Plan (including to the commitment parties party to the Backstop Commitment Agreement); and
- all of the Company's agreements, instruments and other documents evidencing or relating to, or otherwise connected with, any of the Predecessor's equity interests outstanding prior to the Plan Effective Date were cancelled and all such equity interests have no further force or effect.

Reorganization Items

Any expenses, gains and losses that are realized or incurred subsequent to and as a direct result of the Chapter 11 Cases are recorded under reorganization items on our consolidated statement of operations.

Reorganization items consisted of:

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
<i>Dollars in thousands</i>			
Gain on settlement of liabilities subject to compromise	\$ —	\$ (191,129)	\$ —
Fresh start valuation adjustments	—	242,567	—
Professional fees	1,173	30,107	2,251
Backstop premium on the rights offering paid in stock	—	11,033	—
Predecessor 6.75% senior notes, due July 2022 - unamortized debt issuance costs	—	—	3,775
Predecessor 7.50% senior notes, due August 2020 - unamortized debt issuance costs	—	—	1,580
Predecessor 2015 secured credit agreement - unamortized debt issuance costs	—	—	1,208
Debtor in possession facility costs	—	—	975
Other	—	399	—
Reorganization items	\$ 1,173	\$ 92,977	\$ 9,789

Supplemental cash flow information related to reorganization items paid is as follows:

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
<i>Dollars in thousands</i>			
Reorganization items paid	\$ 22,168	\$ 8,617	\$ —

Debtor in Possession Financing

Amounts outstanding against the debtor in possession financing facility were \$10.0 million as of December 31, 2018. The debtor in possession financing facility was terminated as of March 26, 2019.

Liabilities Subject To Compromise

Pre-petition unsecured and under-secured obligations that could have been impacted by the Chapter 11 Cases have been classified as liabilities subject to compromise on our Predecessor consolidated balance sheet. These liabilities were reported at the amounts allowed as claims by the Bankruptcy Court.

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Liabilities subject to compromise consisted of:

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
<i>Dollars in thousands</i>		
Predecessor 6.75% senior notes, due July 2022	\$ —	\$ 360,000
Predecessor 7.50% senior notes, due August 2020	—	225,000
Accrued interest on predecessor senior notes	—	15,996
Liabilities subject to compromise	<u>\$ —</u>	<u>\$ 600,996</u>

Contractual interest expense for the three months ended March 31, 2019, on our senior notes was \$10.3 million; however, no interest expense was accrued on the senior notes, as they were impaired and extinguished upon emergence. See also Note 8 - Debt for further details.

Note 3 - Fresh Start Accounting

Upon emergence from bankruptcy, we adopted fresh start accounting ("Fresh Start Accounting") in accordance with Topic 852, which resulted in the Company becoming a new entity for financial reporting purposes. In accordance with Topic 852, the Company is required to adopt Fresh Start Accounting upon its emergence from bankruptcy because (1) the holders of the then existing common shares of the Predecessor received less than 50 percent of the new common shares of the Successor outstanding upon emergence and (2) the reorganization value of the Company's assets immediately prior to confirmation of the Plan was less than the total of all post-petition liabilities and allowed claims.

Upon adoption of Fresh Start Accounting, the reorganization value derived from the enterprise value as disclosed in the Plan was allocated to the Company's assets and liabilities based on their fair values (except for deferred income taxes) in accordance with FASB ASC Topic No. 805, Business Combinations. The amount of deferred income taxes recorded was determined in accordance with FASB ASC Topic No. 740, Income Taxes.

We evaluated the events between March 26, 2019 and March 31, 2019 and concluded that the use of an accounting convenience date of March 31, 2019 ("Fresh Start Reporting Date") would not have a material impact on our consolidated statement of operations or consolidated balance sheet. As such, the application of fresh start accounting was reflected in our consolidated condensed balance sheet as of March 31, 2019 and fresh start accounting adjustments related thereto were included in our consolidated condensed statement of operations for the three months ended March 31, 2019.

As a result of the adoption of Fresh Start Accounting and the effects of the implementation of the Plan, the consolidated financial statements of the Successor, are not comparable to the consolidated financial statements of the Predecessor.

The Company's consolidated financial statements and related footnotes are presented with a "black line" division, which emphasizes the lack of comparability between amounts presented as of and after March 31, 2019 and amounts presented for all prior periods. The Company's financial results for future periods following the application of Fresh Start Accounting will be different from historical trends and the differences may be material.

Reorganization Value

Under Topic 852, the Successor determined a value to be assigned to the equity of the emerging entity as of the date of adoption of Fresh Start Accounting. The Plan confirmed by the Bankruptcy Court estimated a range of enterprise values between \$365.0 million and \$485.0 million, with a midpoint of \$425.0 million. The Company deemed it appropriate to use the midpoint between the low end and high end of the range to determine the final enterprise value of \$425.0 million.

The following table reconciles the enterprise value to the estimated fair value of our Successor Common Stock as of the Fresh Start Reporting Date:

<i>Dollars in thousands</i>		
Enterprise value	\$	425,000
Cash and cash equivalents and other		127,800
Fair value of term loan		<u>(210,000)</u>
Fair value of successor stockholders' equity	<u>\$</u>	<u>342,800</u>

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The following table reconciles the enterprise value to the reorganization value of the Successor's assets to be allocated to the Company's individual assets as of the Fresh Start Reporting Date:

Dollars in thousands

Enterprise value	\$	425,000
Cash and cash equivalents and other		127,800
Current liabilities		140,596
Non-current liabilities excluding long-term debt		20,985
Reorganization value of successor assets	\$	<u>714,381</u>

With the assistance of financial advisors, we determined the enterprise and corresponding equity value of the Successor by calculating the present value of future cash flows based on our financial projections. The enterprise value and corresponding equity value are dependent upon achieving the future financial results set forth in our valuations, as well as the realization of certain other assumptions. All estimates, assumptions, valuations and financial projections, including the fair value adjustments, the enterprise value and equity value projections, are inherently subject to significant uncertainties and the resolution of contingencies beyond our control. Accordingly, we cannot assure you that the estimates, assumptions, valuations or financial projections will be realized, and actual results could vary materially.

Valuation Process

The fair values of the Company's principal assets, including drilling equipment, rental tools, real property, and intangible assets were estimated with the assistance of third party valuation advisors. The income approach, market approach, and the cost approach were considered for estimating the value of each individual asset. Although the income approach was not applied to value the machinery and equipment and real property assets individually, the Company did consider the earnings of the reporting unit within which each of these assets reside. Economic obsolescence related to machinery and equipment and real property was also considered and was applied to stacked and underutilized assets based upon the status of the asset. Economic obsolescence was also considered in situations in which the earnings of the applicable reporting unit in which the assets are employed suggest economic obsolescence. When penalizing assets for economic obsolescence, an additional economic obsolescence penalty was levied, while considering scrap value to be the floor value for an asset. Because more than one approach was used to develop a valuation, the various approaches were reconciled to determine a final value conclusion. The reorganization value was allocated to the Company's individual assets and liabilities based on their fair values as follows:

Rig Materials and Supplies

The fair value of the rig materials and supplies was determined using the direct and indirect cost approaches. The rig materials and supplies were analyzed on a line-by-line basis and each asset was adjusted for age, physical depreciation, and obsolescence.

Property, Plant, and Equipment

Building, Land and Improvements

The fair value of the land assets was estimated using the sales comparison (market) approach, which involved gathering data on comparable sales and current listings of land in each subject market, then adjusting the unit price (per acre or per square foot) of each comparable for differences in market conditions, location, size, and other factors. A per unit value conclusion was then determined based on the adjusted prices of the comparable sales and listings. Fair value of buildings and improvements was estimated using the direct cost approach, in which the estimated replacement cost of new improvements was adjusted for accrued physical depreciation and any functional or external obsolescence. As a supporting approach, the total fair value of all real property assets for each location was estimated using the sales comparison (or market approach). Held for sale assets were included at their respective pending or listed prices. The fair value of the leasehold improvements was determined using the cost approach, adjusted as needed for asset type, age, physical deterioration and obsolescence.

Rental Tools

The fair value of the rental tools was determined using a combination of the cost approach and sales comparison (market) approach depending upon the asset type. The fair value utilizing the cost approach was adjusted as needed for asset type, age, physical deterioration, and obsolescence. For assets where an active secondary market exists, we utilized the sales comparison (market) approach to estimate the fair value of the assets, which involved gathering market data and analyzing comparable sales of similar assets.

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Drilling Equipment

The fair value of the drilling equipment was determined using a combination of the discounted cash flow method (income approach), the cost approach, and the sales comparison (market) approach. The income approach was utilized to estimate the fair value of drilling equipment that generated positive returns on projected cash flows over the remaining economic useful life of the drilling equipment and compared to the fair value utilizing the cost approach, adjusted as needed for asset type, age, physical deterioration and obsolescence. For assets where an active secondary market exists, we utilized the sales comparison (market) approach to estimate the fair value of the assets, which involved gathering market data and analyzing comparable sales of similar assets.

Intangible Assets

We applied the income approach methodology to estimate the value of the customer relationships, trade names, and developed technology. We determined the value of the customer relationships based on the present value of the incremental after-tax cash flows attributable only to the intangible asset. The value of the trade names was estimated through the relief from royalty method based on the present value of the cost savings realized by the owner of the asset as a result of not having to pay a stream of royalty payments to another party. The cost savings were based on hypothetical royalty payments of 0.2 percent of revenue reflecting a rate in which an arm's length buyer would typically pay for the use of such intangible assets. Similar to the methodology used to value the trade name, we determined the value of the developed technology using a hypothetical royalty payment of 1.0 percent of revenue to reflect the attributable cost savings. The present value of the after-tax cash flows for all the intangible assets were estimated based on a discount rate of 20.0 percent.

Successor Warrants

The fair value of the Successor warrants was estimated by applying a Black-Scholes-Merton ("BSM") model. The BSM model is a pricing model used to estimate the theoretical price or fair value for a European-style call or put option/warrant based on current stock price, strike price, time to maturity, risk-free rate, volatility, and dividend yield.

Consolidated Balance Sheet

The adjustments included in the following fresh start consolidated balance sheet as of March 31, 2019 reflect the effects of the transactions contemplated by the Plan and executed by the Company on the Fresh Start Reporting Date (reflected in the column "Reorganization Adjustments"), and fair value and other required accounting adjustments resulting from the adoption of Fresh Start Accounting (reflected in the column "Fresh Start Adjustments"). The explanatory notes provide additional information with regard to the adjustments recorded, the methods used to determine the fair values and significant assumptions.

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<i>Dollars in thousands</i>	Predecessor	Reorganization Adjustments	Fresh Start Adjustments	Successor
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 51,777	\$ 76,072 (1)	\$ —	\$ 127,849
Restricted cash	11,070	10,366 (2)	—	21,436
Accounts and notes receivable, net	168,444	—	—	168,444
Rig materials and supplies	39,024	—	(21,185) (15)	17,839
Deferred costs	3,718	—	(3,603) (16)	115
Other tax assets	2,725	—	—	2,725
Other current assets	25,501	(8,764) (3)	—	16,737
Total current assets	<u>302,259</u>	<u>77,674</u>	<u>(24,788)</u>	<u>355,145</u>
Property, plant, and equipment, net	533,938	—	(229,968) (17)	303,970
Intangible assets, net	4,245	—	13,755 (18)	18,000
Deferred income taxes	2,518	—	1,751 (19)	4,269
Rig materials and supplies	10,703	—	(6,845) (20)	3,858
Other non-current assets	27,342	1,253 (4)	544 (20)	29,139
Total assets	<u>\$ 881,005</u>	<u>\$ 78,927</u>	<u>\$ (245,551)</u>	<u>\$ 714,381</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Debtor in possession financing	\$ 10,000	\$ (10,000) (5)	\$ —	\$ —
Accounts payable	68,633	—	—	68,633
Accrued liabilities	65,828	4,990 (6)	(3,868) (21)	66,950
Accrued income taxes	5,013	—	—	5,013
Total current liabilities	<u>149,474</u>	<u>(5,010)</u>	<u>(3,868)</u>	<u>140,596</u>
Long-term debt	—	210,000 (7)	—	210,000
Other long-term liabilities	20,901	—	(866) (22)	20,035
Long-term deferred tax liability	28,445	—	(27,495) (19)	950
Commitments and contingencies				
Total liabilities not subject to compromise	<u>198,820</u>	<u>204,990</u>	<u>(32,229)</u>	<u>371,581</u>
Liabilities subject to compromise	<u>600,996</u>	<u>(600,996) (8)</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>799,816</u>	<u>(396,006)</u>	<u>(32,229)</u>	<u>371,581</u>
Stockholders' equity:				
Predecessor preferred stock	500	(500) (9)	—	—
Predecessor common stock	1,398	(1,398) (10)	—	—
Predecessor capital in excess of par value	767,793	(35,839) (11)	(731,954) (23)	—
Predecessor accumulated other comprehensive income (loss)	(7,256)	—	7,256 (23)	—
Successor common stock	—	150 (12)	—	150
Successor capital in excess of par value	—	342,650 (13)	—	342,650
Retained earnings (accumulated deficit)	(681,246)	169,870 (14)	511,376 (23)	—
Total stockholders' equity	<u>81,189</u>	<u>474,933</u>	<u>(213,322)</u>	<u>342,800</u>
Total liabilities and stockholders' equity	<u>\$ 881,005</u>	<u>\$ 78,927</u>	<u>\$ (245,551)</u>	<u>\$ 714,381</u>

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Reorganization Adjustments

- (1) Changes in cash and cash equivalents included the following:

Dollars in thousands

Proceeds from the rights offering	\$	95,000
Transfers from restricted cash for the return of cash collateral (for letters of credit)		10,433
Proceeds from refund of backstop commitment fee		7,600
Transfers from restricted cash for deposit releases		250
Transfers to restricted cash for funding of professional fees		(21,049)
Payment of debtor in possession financing principal and interest		(10,035)
Payment of professional fees		(5,154)
Payment of debt issuance costs for the successor credit facility		(490)
Payment of fees on letters of credit		(58)
Payment of term loan agent fees		(50)
Payment of other reorganization expenses		(375)
Net change in cash and cash equivalents	\$	<u>76,072</u>

- (2) Changes in restricted cash reflects the net transfer of cash between restricted cash and cash and cash equivalents.

- (3) Changes in other current assets include the following:

Dollars in thousands

Refund of backstop commitment fee	\$	(7,600)
Elimination of predecessor directors and officers insurance policies		(702)
Reclass of prepaid costs related to the successor credit facility		(488)
Payment of other costs related to the successor credit facility		26
Net change in other current assets	\$	<u>(8,764)</u>

- (4) Changes in other non-current assets include the following:

Dollars in thousands

Capitalization of debt issuance costs on the successor credit facility	\$	765
Reclass of prepaid costs related to the successor credit facility		488
Net change in other non-current assets	\$	<u>1,253</u>

- (5) Reflects the payment of debtor in possession financing principal.

- (6) Changes in accrued liabilities include the following:

Dollars in thousands

Accrual of professional fees	\$	7,100
Payment of professional fees		(2,017)
Payment of debtor in possession financing interest		(35)
Payment of letters of credit fees		(58)
Net change in accrued liabilities	\$	<u>4,990</u>

- (7) Changes in long-term debt include the issuance of the \$210.0 million Term Loan.

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- (8) Liabilities subject to compromise to be settled in accordance with the Plan and the resulting gain was determined as follows:

Dollars in thousands

Liabilities subject to compromise	\$	(600,996)
Issuance of term loan		210,000
Issuance of successor common stock to the 7.50% note holders and 6.75% note holders		175,058
Excess fair value ascribed to lenders participating in equity rights offering		24,809
Gain on settlement of liabilities subject to compromise	\$	<u>(191,129)</u>

- (9) Changes in Predecessor Preferred Stock reflects the cancellation of Predecessor Preferred Stock.

- (10) Changes in Predecessor Common Stock reflects the cancellation of Predecessor Common Stock.

- (11) Changes in Predecessor capital in excess of par include the following:

Dollars in thousands

Cancellation of predecessor preferred stock	\$	500
Cancellation of predecessor common stock		1,398
Issuance of successor warrants to predecessor common stock and predecessor preferred stock holders		(14,687)
Issuance of successor common stock to predecessor common stock and predecessor preferred stock holders		(4,950)
Excess fair value ascribed to parties participating in rights offering, excluding lenders		(18,100)
Net change in predecessor capital in excess of par value	\$	<u>(35,839)</u>

- (12) Changes in Successor Common Stock include the following:

Dollars in thousands

Issuance of successor common stock to the 7.50% note holders and 6.75% note holders	\$	80
Issuance of successor common stock pursuant to rights offering		68
Issuance of successor common stock to predecessor common stock and predecessor preferred stock holders		2
Net change in successor common stock	\$	<u>150</u>

- (13) Change in Successor capital in excess of par value include the following:

Dollars in thousands

Issuance of successor common stock to the 7.50% note holders and 6.75% note holders	\$	174,978
Issuance of successor common stock pursuant to rights offering		148,874
Issuance of successor warrants to predecessor common stock and predecessor preferred stock holders		14,687
		4,948
Issuance of successor common stock to predecessor common stock and predecessor preferred stock holders		(837)
Equity issuance costs		(837)
Net change in successor capital in excess of par value	\$	<u>342,650</u>

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(14) Changes in accumulated deficit include the following:

Dollars in thousands

Gain on settlement of liabilities subject to compromise	\$	191,129
Backstop premium on rights offering		(11,032)
Accrual of professional fees		(5,988)
Payment of professional fees		(3,137)
Elimination of predecessor directors and officers insurance policies		(702)
Payment of other reorganization items		(400)
Net change in accumulated deficit	\$	<u>169,870</u>

Fresh Start Accounting Adjustments

(15) Changes in rig materials and supplies reflect the fair value adjustment due to the adoption of fresh start accounting.

(16) Changes in deferred costs reflect the elimination of capitalized mobilization costs due to the adoption of fresh start accounting.

(17) Changes in property, plant, and equipment, net reflects the fair value adjustment due to the adoption of fresh start accounting.

(18) Changes in intangible assets, net reflects the fair value adjustment due to the adoption of fresh start accounting.

Dollars in thousands

	Successor Fair Value	Predecessor Historical Book Value
Customer relationships	\$ 16,300	\$ —
Trade names	1,500	368
Developed technology	200	3,877
Intangible assets, net	\$ 18,000	\$ 4,245

(19) Changes in deferred income taxes reflects the adjustment due to the adoption of fresh start accounting.

(20) Changes in rig materials and supplies and other non-current assets reflect the following:

Dollars in thousands

Fair value adjustment to rig material and supplies	\$	(6,845)
Net change in rig materials and supplies	\$	<u>(6,845)</u>

Dollars in thousands

Fair value adjustment to investment in non-consolidated subsidiaries	\$	2,290
Fair value adjustment to long-term notes receivable		(272)
Elimination of capitalized mobilization costs		(857)
Elimination of long-term other deferred charges		(617)
Net change in other non-current assets	\$	<u>544</u>

(21) Changes in accrued liabilities due to the adoption of fresh start accounting include the following:

Dollars in thousands

Elimination of deferred rent	\$	(1,100)
Elimination of deferred revenue		(2,768)
Net change in accrued liabilities	\$	<u>(3,868)</u>

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(22) Changes in other long-term liabilities reflects the elimination of deferred revenue due to the adoption of fresh start accounting.

(23) Changes reflect the cumulative impact of fresh start accounting adjustments discussed above and the elimination of Predecessor accumulated other comprehensive loss and Predecessor accumulated deficit.

Note 4 - Property, Plant, and Equipment

The components of our property, plant, and equipment balance are as follows:

<i>Dollars in Thousands</i>	Successor	Predecessor
	December 31, 2019	December 31, 2018
Property, plant, and equipment, at cost:		
Drilling equipment	\$ 139,722	\$ 720,037
Rental tools	164,592	581,107
Building, land and improvements	25,636	58,193
Other	15,902	115,977
Construction in progress	10,078	10,855
Total property, plant, and equipment, at cost	355,930	1,486,169
Accumulated depreciation	(56,162)	(951,798)
Property, plant, and equipment, net	\$ 299,768	\$ 534,371

Depreciation expense related to property, plant, and equipment is presented below:

<i>Dollars in thousands</i>	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Depreciation expense	\$ 57,174	\$ 24,525	\$ 105,239

Loss on impairment

There was no loss on impairment for the nine months ended December 31, 2019, or the three months ended March 31, 2019. Loss on impairment was \$50.7 million for the year ended December 31, 2018. During the third quarter of 2018, we noted that historically, our barge rig utilization has trended closely with oil prices in periods of both decline and recovery. Management determined the divergence between oil prices and utilization for our Gulf of Mexico inland barge and international barge asset groups necessitated performance of a recoverability analysis for these two asset groups. Average quarterly oil prices have increased sequentially beginning in the third quarter of 2017, reaching an average quarterly 3-year high in the third quarter of 2018, while our utilization remained flat for the nine months ending September 30, 2018, as compared to the year ended December 31, 2018.

Based upon our recoverability analysis, where the carrying values exceeded both estimated future undiscounted cash flows and a subsequent aggregate fair value determination based upon a cost approach method, we determined the Gulf of Mexico inland barge and international barge asset groups were impaired. The significant unobservable inputs to the cost approach method included replacement costs and remaining economic life. See also Note 9 - Fair Value Measurements.

We estimated the fair values to be \$19.7 million and \$3.4 million for the Gulf of Mexico inland barge asset group and the international barge asset group, respectively for the year ended December 31, 2018. We recognized a pretax impairment loss of approximately \$44.0 million in total, or \$34.2 million and \$9.8 million for the Gulf of Mexico inland barge asset group and the international barge asset group, respectively, for the year ended December 31, 2018. The Gulf of Mexico inland barge asset group is reported as part of the U.S. (lower 48) drilling segment and the international barge asset group is reported as part of the International & Alaska drilling segment.

Gain (loss) on disposition of assets, net

During the normal course of operations, we periodically sell equipment deemed excess, obsolete, or not currently required for operations. Net gains recorded on asset disposition were \$0.2 million and \$0.4 million for the nine months ended December 31, 2019, and the three months ended March 31, 2019, respectively, and a net loss of \$1.7 million for the year ended December 31,

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2018. The net gains for 2019 were primarily related to disposal of equipment deemed to be excess, obsolete, or not currently required for operations. The net loss for 2018 was primarily related to equipment that was deemed obsolete in the International & Alaska drilling segment and U.S. rental tools segment.

Note 5 - Intangible Assets

Intangible assets consist of the following:

<i>Dollars in thousands</i>	Estimated Useful Life (Years)	Successor		
		Balance at December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	3	\$ 16,300	\$ (4,075)	\$ 12,225
Trade names	5	1,500	(225)	1,275
Developed technology	6	200	(25)	175
Total intangible assets		\$ 18,000	\$ (4,325)	\$ 13,675

Amortization expense related to intangible assets is presented below:

<i>Dollars in thousands</i>	Successor	Predecessor	
	Nine Months Ended December 31, 2019	Three Months Ended March 31, 2019	Year Ended December 31, 2018
Amortization expense	\$ 4,325	\$ 577	\$ 2,306

Our remaining intangibles amortization expense for the next five years is presented below:

<i>Dollars in thousands</i>	Expected future intangible amortization expense
2020	\$ 5,766
2021	\$ 5,766
2022	\$ 1,693
2023	\$ 333
Beyond 2023	\$ 117

Note 6 - Operating Leases

We adopted the Accounting Standards Update ("ASU") 2016-02, Leases ("Topic 842") effective January 1, 2019. As lessee, our leasing activities primarily consist of operating leases for administrative offices, warehouses, oilfield services equipment, office equipment, computers and other items. Our leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 20 years, and some of which include options to terminate the leases within 1 year.

We elected the following package of practical expedients permitted under the transition guidance:

- an election to adopt the modified retrospective transition method applied at the beginning of the period of adoption, which does not require a restatement of the prior period. Accordingly, no cumulative-effect adjustment to retained earnings was made.
- an election not to apply the recognition requirements in Topic 842 to short-term leases (initial lease term of 12 months or less) and recognize lease payments in the consolidated statement of operations. Short-term leases have not been recorded on the balance sheet.
- a practical expedient to not reassess whether a contract is or contains a lease and carry forward its historical lease classification.
- a practical expedient to account for the lease and non-lease components separately (except as discussed below).

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- a practical expedient to account for the lease and non-lease components as a single lease component for certain assets, by class of underlying asset.

We determine whether a contract is or contains a lease at its inception. Topic 842 requires lessees to recognize operating lease right-of-use assets and operating lease liabilities on the balance sheet. An operating lease right-of-use asset represents our right to use an underlying asset for the lease term and an operating lease liability represents our obligation to make lease payments arising from the lease. An operating lease right-of-use asset and operating lease liability are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease right-of-use assets also include any lease payments made and exclude lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. The adoption of this standard resulted in the recording of operating lease right-of-use assets and operating lease liabilities of approximately \$21.0 million as of January 1, 2019.

Supplemental lease information related to our operating leases as of December 31, 2019 is shown below:

<i>Dollars in thousands</i>	<u>Successor</u> <u>December 31,</u> <u>2019</u>
Operating lease right-of-use assets ⁽¹⁾	\$ 28,955
Operating lease liabilities - current ⁽²⁾	9,946
Operating lease liabilities - noncurrent ⁽³⁾	18,979
Total operating lease liabilities	<u>\$ 28,925</u>
Weighted average remaining lease term (in years)	<u>8</u>
Weighted average discount rate	8.5%

- (1) This amount is included in other non-current assets in our consolidated balance sheet.
- (2) This amount is included in accounts payable and accrued liabilities in our consolidated balance sheet.
- (3) This amount is included in other long-term liabilities in our consolidated balance sheet.

Supplemental cash flow information related to leases are as follow:

<i>Dollars in thousands</i>	<u>Successor</u> <u>Nine Months Ended</u> <u>December 31,</u> <u>2019</u>	<u>Predecessor</u> <u>Three Months Ended</u> <u>March 31,</u> <u>2019</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 7,969	\$ 2,967
Operating lease right-of-use assets obtained in exchange for lease obligations	\$ 14,852	\$ 238

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Maturities of operating lease liabilities as of December 31, 2019 were as follows:

	Successor
	Operating Leases
<i>Dollars in thousands</i>	
2020	\$ 10,375
2021	6,704
2022	3,823
2023	3,045
2024	2,017
Beyond 2024	15,372
Total undiscounted lease liability	41,336
Imputed interest	(12,411)
Total operating lease liabilities	\$ 28,925

Future minimum operating lease payments as of December 31, 2018 were as follows:

	Predecessor
	Operating Leases
<i>Dollars in thousands</i>	
2019	\$ 10,722
2020	7,887
2021	4,193
2022	1,968
2023	1,540
Beyond 2023	636
Total lease payments	\$ 26,946

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Expenses for operating leases are shown below:

	Successor	Predecessor
	Nine Months Ended December 31,	Three Months Ended March 31,
	2019	2019
<i>Dollars in thousands</i>		
Operating lease expense	\$ 8,408	\$ 3,074
Short-term lease expense	1,938	492
Variable lease expense	5,347	1,778
Total lease expense	\$ 15,693	\$ 5,344

As of December 31, 2019, we had \$1.6 million of additional operating leases that have not yet commenced, primarily for administrative offices and warehouses. These leases will commence in 2020 with lease terms of approximately 2 years.

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Note 7 - Supplementary Accrued Liabilities Information

The significant components of accrued liabilities on our consolidated balance sheets as of December 31, 2019 and 2018 are presented below:

<i>Dollars in Thousands</i>	<u>Successor</u> December 31, 2019	<u>Predecessor</u> December 31, 2018
Accrued payroll & related benefits	\$ 30,791	\$ 20,736
Operating lease liabilities - current	9,946	—
Accrued professional fees & other	8,776	9,578
Accrued interest expense	4,977	32
Deferred mobilization fees	1,858	4,082
Workers' compensation liabilities, net	1,606	957
Total accrued liabilities	\$ 57,954	\$ 35,385

Note 8 - Debt

The following table illustrates the Company's debt portfolio as of December 31, 2019 and December 31, 2018:

<i>Dollars in thousands</i>	<u>Successor</u> December 31, 2019	<u>Predecessor</u> December 31, 2018
Successor credit facility	\$ —	\$ —
Successor term loan, due March 2024	177,937	—
Predecessor 6.75% senior notes, due July 2022	—	360,000
Predecessor 7.50% senior notes, due August 2020	—	225,000
Predecessor 2015 secured credit agreement	—	—
Total debt	\$ 177,937	\$ 585,000

Successor Credit Facility

On March 26, 2019, pursuant to the terms of the Plan, we and certain of our subsidiaries, entered into a credit agreement with the lenders party thereto (the "Credit Facility Lenders"), Bank of America, N.A., as administrative agent and Bank of America, N.A. and Deutsche Bank Securities Inc. as joint lead arrangers and joint bookrunners, providing for a revolving credit facility (as amended and restated by the Amended and Restated Credit Agreement (as defined below), the "Credit Facility") with initial aggregate commitments in the amount of \$50.0 million, guaranteed by certain of our subsidiaries. Availability under the Credit Facility is subject to a monthly borrowing base calculation and, prior to the Amended and Restated Credit Agreement, was based on eligible domestic rental equipment and eligible domestic accounts receivable. The Credit Facility provides for a \$30.0 million sublimit of the aggregate commitments that is available for the issuance of letters of credit. Prior to the Amended and Restated Credit Agreement, the Credit Facility required us to maintain minimum liquidity of \$25.0 million, defined as cash in our liquidity account not to exceed \$10.0 million and availability under the borrowing base, allowed for an increase to the aggregate commitments by up to an additional \$75.0 million, subject to certain conditions, matured on March 26, 2023, and bore interest either at a rate equal to:

- LIBOR plus an applicable margin that varies from 2.25 percent to 2.75 percent per annum
or
- a base rate plus an applicable margin that varies from 1.25 percent to 1.75 percent per annum.

Prior to the Amended and Restated Credit Agreement, we were required to pay a commitment fee of 0.5 percent per annum on the actual daily unused portion of the current aggregate commitments under the Credit Facility. We are required to pay customary letter of credit and fronting fees under the Credit Facility.

The Credit Facility also contains customary affirmative and negative covenants, including, among other things, as to compliance with laws (including environmental laws and anti-corruption laws), delivery of quarterly and annual consolidated financial statements and monthly borrowing base certificates, conduct of business, maintenance of property, maintenance of insurance, restrictions on the incurrence of liens, indebtedness, asset dispositions, fundamental changes, restricted payments, and other customary covenants. Additionally, the Credit Facility contains customary events of default and remedies for credit

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facilities of this nature. If we do not comply with the financial and other covenants in the Credit Facility, the Credit Facility Lenders may, subject to customary cure rights, require immediate payment of all amounts outstanding under the Credit Facility, and any outstanding unfunded commitments may be terminated. As of December 31, 2019, we were in compliance with all the financial covenants under the Credit Facility.

On October 8, 2019, we entered into an amended and restated credit agreement (the “Amended and Restated Credit Agreement”), which amended and restated the Credit Facility. As a result of the Amended and Restated Credit Agreement:

- (1) the Credit Facility matures on October 8, 2024, subject to certain restrictions, including the refinancing of the Company’s Term Loan Agreement (as defined below),
- (2) our annual borrowing costs under the Credit Facility are lowered by reducing
 - the interest rate to (a) LIBOR plus a range of 1.75 percent to 2.25 percent (based on availability) or (b) a base rate plus a range of 0.75 percent to 1.25 percent (based on availability), and
 - the unused commitment fee to a range of 0.25 percent to 0.375 percent (based on utilization),
- (3) a \$25 million liquidity covenant was replaced with a minimum fixed charge coverage ratio requirement of 1.0x when excess availability is less than the greater of
 - 20.0 percent of the lesser of commitments and the borrowing base and
 - \$10.0 million,
- (4) an additional borrower was allowed to be included in the borrowing base upon completion of a field examination,
- (5) the calculation of the borrowing base was revised by, among other things, excluding eligible domestic rental equipment and including 90 percent of investment grade eligible domestic accounts receivable,
- (6) the Company was allowed to grant a second priority lien on non-working capital assets in the event of a refinancing of the Term Loan Agreement,
- (7) the amount allowed for an increase to the aggregate commitments was reduced from \$75.0 million to \$50.0 million, and
- (8) we were permitted to make a voluntary prepayment of \$35.0 million on our Term Loan on September 20, 2019 without such prepayment being included in the calculation of our fixed charge coverage ratio.

As of December 31, 2019, the borrowing base availability under the Credit Facility was \$40.2 million, which was further reduced by \$9.3 million in supporting letters of credit outstanding, resulting in availability under the Credit Facility of \$30.9 million. As of December 31, 2019, debt issuance costs of \$1.5 million (\$1.3 million, net of amortization) are being amortized over the term of the Credit Facility on a straight-line basis.

Successor Term Loan, Due March 2024

On March 26, 2019, pursuant to the terms of the Plan, we and certain of our subsidiaries entered into a second lien term loan credit agreement (the “Term Loan Agreement”) with the lenders party thereto (the “Term Loan Lenders”) and UMB Bank, N.A., as administrative agent, providing for term loans (the “Term Loan”) in the amount of \$210.0 million, guaranteed by certain of our subsidiaries. The Term Loan matures on March 26, 2024.

The Term Loan bears interest at a rate of 13.0 percent per annum, payable quarterly on the first day of each January, April, July, and October, beginning July 1, 2019, with 11.0 percent paid in cash and 2.0 percent paid in kind and capitalized by adding such amount to the outstanding principal.

We may voluntarily prepay all or a part of the Term Loan and, under certain conditions we are required to prepay all or a part of the Term Loan, in each case, at a premium (1) on or prior to 6 months after the closing date of 0 percent; (2) from 6 months and on or prior to two years after the closing date of 6.50 percent; (3) from two years and on or prior to three years after the closing date of 3.25 percent; and (4) from three years after the closing date and thereafter of 0 percent.

On September 20, 2019, we made a voluntary prepayment on the Term Loan of \$35.0 million in principal, plus \$1.0 million in interest associated with the principal payment. Since the prepayment occurred within the first six months from the closing date, no premium was applicable on the prepayment. As of December 31, 2019, the Term Loan balance was \$177.9 million.

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The Term Loan is subject to mandatory prepayments and customary reinvestment rights. The mandatory prepayments include prepayment requirements with respect to a change of control, asset sales and debt issuances, in each case subject to certain exceptions or conditions. The Term Loan Agreement also contains customary affirmative and negative covenants, including as to compliance with laws (including environmental laws and anti-corruption laws), delivery of quarterly and annual financial statements, conduct of business, maintenance of property, maintenance of insurance, restrictions on the incurrence of liens, indebtedness, asset dispositions, fundamental changes, restricted payments and other customary covenants. Additionally, the Term Loan Agreement contains customary events of default and remedies for facilities of this nature. If we do not comply with the covenants in the Term Loan Agreement, the Term Loan Lenders may, subject to customary cure rights, require immediate payment of all amounts outstanding under the Term Loan Agreement. As of December 31, 2019, we were in compliance with all the financial covenants under the Term Loan Agreement.

Predecessor 6.75% Senior Notes, Due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of the 6.75% Notes pursuant to the 6.75% Notes Indenture. The 6.75% Notes were general unsecured obligations of the Company and ranked equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes were jointly and severally guaranteed by all of our subsidiaries that guaranteed indebtedness under the Second Amended and Restated Senior Secured Credit Agreement, as amended from time-to-time (“2015 Secured Credit Agreement”) and our 7.50% Notes. Interest on the 6.75% Notes was payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes were approximately \$7.6 million. After the commencement of the Chapter 11 Cases, the carrying amount of debt was adjusted to the claim amount and all unamortized debt issuance costs prior to the commencement of the Chapter 11 Cases were fully expensed.

Predecessor 7.50% Senior Notes, Due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to the 7.50% Notes Indenture. The 7.50% Notes were general unsecured obligations of the Company and ranked equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes were jointly and severally guaranteed by all of our subsidiaries that guaranteed indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes was payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes were approximately \$5.6 million. After the commencement of the Chapter 11 Cases, the carrying amount of debt was adjusted to the claim amount and all unamortized debt issuance costs prior to the commencement of the Chapter 11 Cases were fully expensed.

The commencement of the Chapter 11 Cases constituted an event of default that accelerated the Company’s obligations under the indentures governing the 6.75% Notes and the 7.50% Notes. However, any efforts to enforce such payment obligations were automatically stayed under the provisions of the Bankruptcy Code. The principal balance on the 6.75% Notes and 7.50% Notes of \$360.0 million and \$225.0 million, respectively, had been reclassified from long-term debt to liabilities subject to compromise as of December 31, 2018. See also Note 2 - Chapter 11 Emergence for further details.

As previously disclosed in our Current Report on Form 8-K filed with the SEC on March 26, 2019, our obligations with respect to the Senior Notes as well as our subsidiaries’ obligations under their respective guarantees under the 6.75% Notes Indenture and the 7.50% Notes Indenture (and the Senior Notes) were cancelled and extinguished as provided in the Plan. From and after March 26, 2019, neither the Company nor its subsidiaries have any continuing obligations under the 6.75% Notes Indenture and 7.50% Notes Indenture or with respect to the Senior Notes or the guarantees related thereto except to the extent specifically provided in the Plan.

Predecessor 2015 Secured Credit Agreement

On January 26, 2015, we entered into the 2015 Secured Credit Agreement. The 2015 Secured Credit Agreement was originally comprised of a \$200.0 million revolving credit facility (the “Revolver”). The 2015 Secured Credit Agreement formerly included financial maintenance covenants, including a leverage ratio, consolidated interest coverage ratio, senior secured leverage ratio, and asset coverage ratio, many of which were suspended beginning in September 2015.

We executed various amendments which, among other things: (1) modified the credit facility to an asset-based lending structure, (2) reduced the size of the Revolver to \$80.0 million, (3) eliminated the financial maintenance covenants previously in effect and replaced them with a minimum liquidity covenant of \$30.0 million and a monthly borrowing base calculation, (4) allowed for the refinancing of our existing Senior Notes with either secured or unsecured debt, (5) added the ability for the Company to designate certain of its subsidiaries as “Designated Borrowers”, and (6) permitted the Company to make restricted payments in the form of certain equity interests.

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On October 25, 2018, we entered into a Consent Agreement and a Cash Collateral Agreement, whereby we could open bank accounts not subject to the 2015 Secured Credit Agreement for the purpose of depositing cash to secure certain letters of credit. On October 30, 2018, we deposited \$10.0 million into a cash collateral account to support the letters of credit outstanding, which is included in the restricted cash balance on the consolidated balance sheet as of December 31, 2018.

Our obligations under the 2015 Secured Credit Agreement were guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which has executed guaranty agreements, and were secured by first priority liens on our accounts receivable, specified rigs including barge rigs in the Gulf of Mexico (“GOM”) and land rigs in Alaska, certain U.S.-based rental equipment of the Company and its subsidiary guarantors and the equity interests of certain of the Company’s subsidiaries. In addition to the liquidity covenant and borrowing base requirements, the 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness and liens, and restrictions on entry into certain affiliate transactions and payments (including certain payments of dividends).

All of the Company’s obligations under the 2015 Secured Credit Agreement were paid prior to the commencement of the Chapter 11 Cases, and the 2015 Secured Credit Agreement, including the Revolver thereunder, was terminated concurrently with the commencement of the Chapter 11 Cases. See also Note 2 - Chapter 11 Emergence for further details. Unamortized debt issuance costs were fully expensed upon termination of the 2015 Secured Credit Agreement.

Supplemental cash flow information related to interest paid is as follow:

<u>Dollars in thousands</u>	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Interest paid	\$ 12,199	\$ 184	\$ 41,175

Note 9 - Fair Value Measurements

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability.

The fair value measurement and disclosure requirements of FASB ASC Topic No. 820, Fair Value Measurement and Disclosures requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

- Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 — Direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets; and
- Level 3 — Unobservable inputs that require significant judgment for which there is little or no market data.

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the entire measurement even though we may also have utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, restricted cash, accounts receivable, and accounts payable approximate fair value.

Fair value of our Term Loan is determined using Level 2 inputs. The Level 2 fair value was determined using a market approach by comparing secured debt of other companies in our industry that have a similar credit rating and debt amount. Fair value of our 6.75% Notes and 7.50% Notes was determined using Level 2 inputs.

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Fair values and related carrying values of our debt instruments were as follows:

<i>Dollars in thousands</i>	Successor		Predecessor	
	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Successor term loan, due March 2024	\$ 177,937	\$ 194,712	\$ —	\$ —
Predecessor 6.75% senior notes, due July 2022	—	—	360,000	180,000
Predecessor 7.50% senior notes, due August 2020	—	—	225,000	117,000
Total	\$ 177,937	\$ 194,712	\$ 585,000	\$ 297,000

In 2018, Property, Plant, and Equipment for the Gulf of Mexico inland barge and international barge asset groups were impaired and written down to their estimated fair values. The estimated fair value was determined using Level 3 inputs. See Note 4 - Property, Plant, and Equipment for further details.

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the year ended December 31, 2019.

Note 10 - Income Taxes

Income (loss) before income taxes is summarized below:

<i>Dollars in thousands</i>	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	Year Ended December 31,
	2019		2019	2018
United States	\$ (3,342)	\$ 16,785	\$ (145,954)	
Foreign	20,946	(106,377)	(11,947)	
Income (loss) before income taxes	\$ 17,604	\$ (89,592)	\$ (157,901)	

Income tax expense

Income tax expense (benefit) is summarized as follows:

<i>Dollars in thousands</i>	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	Year Ended December 31,
	2019		2019	2018
Federal	\$ (2,503)	\$ (364)	\$ (14)	
State	136	50	229	
Foreign	7,557	2,655	8,010	
Total current tax expense	5,190	2,341	8,225	
Federal	5,163	—	—	
State	635	—	—	
Foreign	107	(1,685)	(429)	
Total deferred tax expense (benefit)	5,905	(1,685)	(429)	
Total income tax expense	\$ 11,095	\$ 656	\$ 7,796	
Effective tax rate	63.0%	(0.7)%	(4.9)%	

Effective tax rate

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The Company's effective tax rate differs from the amount that would be computed by applying the U.S federal income tax rate of 21% to pre-tax income as a result of the following:

	Successor		Predecessor			
	Nine Months Ended December 31,		Three Months Ended March 31,		Year Ended December 31,	
	2019		2019		2018	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
<i>Dollars in thousands</i>						
Income tax expense (benefit) at U.S. statutory rate	\$ 3,696	21.0 %	\$ (18,814)	21.0 %	\$ (33,160)	21.0 %
Foreign taxes	565	3.2 %	1,809	(2.0)%	7,321	(4.6)%
Tax effect different from statutory rates	472	2.7 %	11,125	(12.4)%	(68)	— %
State taxes, net of federal benefit	305	1.7 %	5,036	(5.6)%	(2,552)	1.6 %
Change in valuation allowance	3,706	21.1 %	(98,856)	110.3 %	28,353	(18.0)%
Uncertain tax positions	(2,056)	(11.7)%	(940)	1.1 %	(221)	0.1 %
Permanent differences	421	2.4 %	20,543	(22.9)%	8,008	(5.1)%
Prior year adjustments	(331)	(1.9)%	4,535	(5.1)%	50	— %
Expiration/write-off of deferred tax assets	4,217	23.9 %	76,034	(84.9)%	—	— %
Other	100	0.6 %	184	(0.2)%	65	0.1 %
Income tax expense	\$ 11,095	63.0 %	\$ 656	(0.7)%	\$ 7,796	(4.9)%

Supplemental cash flow information related to income taxes paid (net of refunds) are as follow:

	Successor		Predecessor		
	Nine Months Ended December 31,		Three Months Ended March 31,		Year Ended December 31,
	2019		2019		2018
	Amount		Amount		Amount
<i>Dollars in thousands</i>					
Income taxes paid (net of refunds)	\$ 8,161		\$ 1,421		\$ 7,373

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Deferred tax assets and deferred tax liabilities consisted of:

	Successor	Predecessor
	Year Ended December 31, 2019	Year Ended December 31, 2018
<i>Dollars in thousands</i>		
Federal net operating loss (“NOL”) carryforwards	\$ 39,636	\$ 109,002
State NOL carryforwards	5,165	13,168
Property, plant, and equipment	8,458	—
Excess interest	—	6,230
Other state deferred tax asset, net	1,149	1,201
Foreign tax credits	—	46,913
FIN 48	126	887
Foreign tax	45,026	40,190
Accruals not currently deductible for tax purposes	1,990	3,119
Deferred compensation	1,107	816
Other	377	1,297
Total deferred tax assets	103,034	222,823
Valuation allowance	(91,117)	(186,267)
Total deferred tax assets, net of valuation allowance	11,917	36,556
Property, plant, and equipment	(9,353)	(28,440)
Foreign taxes	(942)	(510)
Other state deferred tax liability, net	(2,236)	(5,096)
Intangibles	(1,972)	(877)
Total deferred tax liabilities	(14,503)	(34,923)
Net deferred tax asset (liability)	\$ (2,586)	\$ 1,633

As part of the process of preparing the consolidated financial statements, the Company is required to determine its provision for income taxes. This process involves measuring temporary and permanent differences resulting from differing treatment of items for tax and accounting purposes. These differences and the NOL and tax credit carryforwards result in deferred tax assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of appropriate character in each taxing jurisdiction during the periods in which those temporary differences become deductible. Management considers the weight of available evidence, both positive and negative, including the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. To the extent the Company believes that it does not meet the test that recovery is more likely than not, it establishes a valuation allowance. To the extent that the Company establishes a valuation allowance or changes this allowance in a period, it adjusts the tax provision or tax benefit in the consolidated statement of operations. We use our judgment in determining provisions or benefits for income taxes, and any valuation allowance recorded against previously established deferred tax assets. We have measured the value of our deferred tax assets for the year ended December 31, 2019 based on the cumulative weight of positive and negative evidence that exists as of the date of the consolidated financial statements. Should the cumulative weight of all available positive and negative evidence change in the forecast period, the expectation of realization of deferred tax assets existing as of December 31, 2019 and prospectively may change.

The Company has evaluated the impact of the reorganization, described in Note 2 - Chapter 11 Emergence, including the change in control, resulting from its emergence from bankruptcy. The Company estimates that the Successor Company will fully absorb the cancellation of debt income (“COD”) income, approximately \$191.8 million, realized by the Predecessor in connection with the reorganization with its net operating losses and capital losses. The remaining NOL carryforward is limited under Internal Revenue Code (“IRC”) section 382 due to the change in control annual limitation, estimated to be \$6.9 million for U.S. tax purposes. The deferred tax assets associated with foreign tax credits, NOL and capital loss carryforwards (federal and state) expected to expire due to section 382 annual limitations was written off as of December 31, 2019, and the remaining federal NOL balance at December 31, 2019 is \$170.6 million. It is more likely than not that the Successor will not realize future income tax benefits related to its remaining U.S. net deferred tax asset based on historical results and expected market conditions known on the date of

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measurement, and the Company has therefore maintained a full valuation allowance against the remaining U.S. net deferred tax asset. This is periodically reassessed and could change in the future.

In our valuation allowance, there was an increase of \$3.7 million for the nine months ended December 31, 2019, primarily related to incremental U.S. and certain foreign net operating losses and other deferred tax assets. There was a decrease of \$98.9 million for the three months ended March 31, 2019, primarily related to the utilization of NOL carryforwards to absorb COD income and the write-off of NOLs due to the Section 382 annual limitation (which required a corresponding reduction to the valuation allowance). In our valuation allowance there was an increase of \$28.4 million for the year ended December 31, 2018 primarily related to U.S. and certain foreign net operating losses and other deferred tax assets.

As of December 31, 2019, the Company has permanently reinvested accumulated undistributed earnings of foreign subsidiaries and, therefore, has not recorded a deferred tax liability related to subject earnings. Upon distribution of additional earnings in the form of dividends or otherwise, we could be subject to income taxes and withholding taxes. It is not practicable to determine precisely the amount of taxes that may be payable on the eventual remittance of these earnings due to many factors, including application of foreign tax credits, levels of accumulated earnings and profits at the time of remittance, and the sources of earnings remitted. The Company generally does not provide for taxes related to its undistributed earnings because such earnings either would not be taxable when remitted or they are considered to be indefinitely reinvested. Taxes that would be incurred if the undistributed earnings of other subsidiaries were distributed to their ultimate parent company would not be material.

Uncertain tax positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Dollars in thousands

Balance at January 1, 2019 (Predecessor)	\$	(5,728)
Additions based on tax position taken during a prior period		(148)
Additions based on tax positions taken during the current period		(158)
Reductions related to a lapse of applicable statute of limitations		1,141
Balance at March 31, 2019 (Predecessor)		<u>(4,893)</u>
<hr/>		
Additions based on tax positions taken during a prior period		(252)
Additions based on tax positions taken during the current period		(492)
Reductions based on tax positions taken during a prior period		9
Reductions related to settlement of tax matters		310
Reductions related to a lapse of applicable statute of limitations		1,668
Balance at December 31, 2019 (Successor)	\$	<u><u>(3,650)</u></u>

In many cases, our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2019:

Canada	2016-present
Kazakhstan	2008-present
Mexico	2015-present
Russia	2015-present
United States — Federal	2008-present
United Kingdom	2017-present

We apply the accounting guidance related to accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. Our liability for unrecognized tax benefits is primarily related to foreign operations, (all of which, if recognized, would favorably impact our effective tax rate). Unrecognized tax benefits and accrued interest and penalties related to uncertain tax positions was as follows:

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	Successor	Predecessor
	December 31, 2019	December 31, 2018
<i>Dollars in thousands</i>		
Liability for unrecognized tax benefits ⁽¹⁾	\$ 3,650	\$ 5,728
Accrued interest related to uncertain tax positions	\$ 600	\$ 833
Penalties related to uncertain tax positions	\$ 791	\$ 1,273

(1) Our effective tax rate would be favorably impacted if the liability for unrecognized tax benefits is recognized.

Note 11 - Commitments and Contingencies

Self-Insurance

We are self-insured for certain losses relating to workers' compensation, employers' liability, general liability (for onshore liability), protection and indemnity (for offshore liability) and property damage. Our exposure (that is, the retention or deductible) per occurrence is \$0.3 million for worker's compensation and employer's liability, and \$0.5 million for general liability, protection and indemnity and maritime employers' liability (Jones Act). There is no annual aggregate deductible for protection and indemnity and maritime employers' liability claims. We also assume retention for foreign casualty exposures of \$0.3 million for workers' compensation, employers' liability, and \$1.0 million for general liability losses. We do not have any deductible for auto liability claims. For all primary insurances mentioned above, the Company has excess coverage for those claims that exceed the retention and annual aggregate deductible. We maintain actuarially-determined accruals in our consolidated balance sheets to cover the self-insurance retentions.

We have self-insured retentions for certain other losses relating to rig, equipment, property, business interruption and political, war, and terrorism risks which vary according to the type of rig and line of coverage. Political risk insurance is procured for international operations. However, this coverage may not adequately protect us against liability from all potential consequences.

Our gross self-insurance accruals for workers' compensation, employers' liability, general liability, protection and indemnity and maritime employers' liability and the related insurance recoveries/receivables were as follows:

	Successor	Predecessor
	December 31, 2019	December 31, 2018
<i>Dollars in thousands</i>		
Gross self-insurance accruals	\$ 4,345	\$ 2,397
Insurance recoveries/receivables	\$ 3,621	\$ 1,636

Other Commitments

We have entered into employment agreements with certain members of management with automatic one year renewal periods at expiration dates. The agreements provide for, among other things, compensation, benefits and severance payments. The employment agreements also provide for lump sum compensation and benefits in the event of termination within two years following a change in control of the Company.

Contingencies

We are a party to various lawsuits and claims arising out of the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount or range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ significantly from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated balance sheet or consolidated statement of cash flows, although they could have a material adverse effect on our consolidated statement of operations for a particular reporting period.

Note 12 - Stock-Based Compensation

Predecessor Stock Plan

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Stock-based compensation awards were granted to employees under the Predecessor's 2010 Long-Term Incentive Plan, as amended and restated as of May 10, 2016 (the "Predecessor Stock Plan"). The Predecessor Stock Plan authorized the compensation committee or the board of directors to issue stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based awards, and other types of awards in cash or stock to key employees, consultants, and directors. The maximum number of shares of Predecessor Common Stock that may be delivered pursuant to the awards was 1,120,000. As of March 26, 2019, all unvested Predecessor stock-based awards were canceled.

Successor Stock Plan

Stock-based compensation awards were granted to employees under the Successor's 2019 Long-Term Incentive Plan as of March 26, 2019 (the "Successor Stock Plan"). The Successor Stock Plan authorizes the compensation committee or the board of directors to issue stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based awards, and other types of awards in cash or stock to key employees, consultants, and directors. The maximum number of shares of Successor Common Stock that may be delivered pursuant to the awards granted was 1,487,905. As of December 31, 2019, there were 841,408 shares remaining under the Successor Stock Plan.

Stock-Based Awards

Stock-based awards generally vest over three years. Stock-based compensation expense is recognized net of an estimated forfeiture rate, which is based on historical experience and adjusted, if necessary, in subsequent periods based on actual forfeitures. Stock-based compensation expense and cash compensation paid to the respective employees is included in our consolidated statements of operations in general and administrative expense.

1. Restricted stock units are service-based awards and entitle a grantee to receive a share of common stock on a specified vesting date. The grant-date fair market value of unvested units is determined based on the closing trading price of the Company's shares on the grant date. These awards vest when earned at the end of the service or performance period which is generally 1 to 3 years. These awards are expensed ratably over the applicable vesting period and are settled in shares of our common stock upon vesting. These awards are considered equity awards.
2. Time-based phantom stock units are service-based awards and represent the equivalent of one share of common stock as of the grant date. The value of these awards is based on the common stock price. These awards vest when earned at the end of the service period which is generally 1 to 3 years. These awards are expensed ratably over the applicable vesting period and are settled in cash upon vesting. These awards are classified as liability awards.
3. Performance cash units are performance-based awards that contain payout conditions which are based on our performance against a group of selected peer companies with regard to relative return on capital employed over a three-year performance period. Each unit has a nominal value of \$100.0. A maximum of 200.0 percent of the number of units granted may be earned if performance at the maximum level is achieved. These awards vest to the extent earned at the end of a three-year graded service period. These awards are expensed ratably over the applicable vesting period and are settled in cash upon vesting. These awards are classified as liability awards.
4. Performance-based phantom stock units are performance-based awards denominated in a number of shares which contain payout conditions based on our performance against a group of selected peer companies with regard to relative total shareholder return over a three-year performance period. They represent a grant of hypothetical stock to the equivalent number of shares of common stock but, with the employee receiving cash upon vesting. We used a simulation-based option pricing approach to determine the fair value of these awards. A maximum of 250.0 percent of the number of units granted may be earned if performance at the maximum level is achieved. These awards vest to the extent earned at the end of the three-year performance period. These awards are expensed ratably over the applicable vesting period and are settled in cash upon vesting. These awards are classified as liability awards.
5. Stock options are service-based awards and entitle a grantee the right to buy a share of common stock at a fixed price on a specified vesting date. The grant-date fair value of unvested units is determined using the Black-Scholes option pricing model. These awards vest to the extent earned at the end of a three-year graded service period and expire 10 years from the grant date. These awards are expensed ratably over the applicable vesting period and are settled in shares of our common stock upon vesting. These awards are considered equity awards.

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Restricted Stock Units

The following table presents restricted stock units activity:

	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2018 (Predecessor)	302,338	\$ 27.10
Granted	107,863	\$ 12.51
Vested	(156,524)	\$ 29.87
Forfeited	(18,079)	\$ 23.82
Unvested at January 1, 2019 (Predecessor)	235,598	\$ 18.84
Vested	(556)	\$ 20.75
Canceled	(235,042)	\$ 18.80
Unvested at March 31, 2019 (Predecessor)	—	\$ —
Granted	496,569	\$ 21.58
Vested	(49,407)	\$ 19.45
Forfeited	(148,222)	\$ 23.00
Unvested at December 31, 2019 (Successor)	298,940	\$ 20.97

The following table presents total expense recognized and value of the units vested:

<i>Dollars in Thousands except units issued</i>	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	Year Ended December 31,
	2019		2019	2018
Total expense (gain)	\$ 2,938	\$ 1,512	\$ 2,833	
Total value of the units vested	\$ 961	\$ 12	\$ 4,675	

Total unrecognized compensation cost related to unamortized units was \$4.1 million as of December 31, 2019. The remaining unrecognized compensation cost related to non-vested units will be amortized over a weighted-average vesting period of approximately 27 months.

Time-based Phantom Stock Units

The following table presents time-based phantom stock units activity:

	Time-based Phantom Stock Units
Unvested at January 1, 2018 (Predecessor)	68,759
Granted	106,530
Vested	(28,387)
Forfeited	(4,117)
Unvested at January 1, 2019 (Predecessor)	142,785
Canceled	(142,785)
Unvested at March 31, 2019 (Predecessor)	—
Granted	248,022
Unvested at December 31, 2019 (Successor)	248,022

The following table presents total expense recognized:

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	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	Year Ended December 31,
	2019		2019	2018
<i>Dollars in Thousands except units issued</i>				
Total expense (gain)	\$	581	\$ (29)	\$ (261)

Performance Cash Units

The following table presents performance cash units activity:

	Performance Cash Units
Unvested at January 1, 2018 (Predecessor)	23,021
Granted	16,149
Vested	(10,771)
Forfeited	(791)
Unvested at January 1, 2019 (Predecessor)	27,608
Vested	(27,608)
Unvested at March 31, 2019 (Predecessor)	—
Unvested at December 31, 2019 (Successor)	—

The following table presents total expense recognized:

	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	Year Ended December 31,
	2019		2019	2018
<i>Dollars in Thousands except units issued</i>				
Total expense (gain)	\$	—	358	\$ 161

Performance-based Phantom Stock Units

The following table presents performance-based phantom stock units activity:

	Performance-based Phantom Stock Units
Unvested at January 1, 2018 (Predecessor)	87,395
Granted	107,645
Vested	(48,937)
Forfeited	(3,778)
Unvested at January 1, 2019 (Predecessor)	142,325
Canceled	(142,325)
Unvested at March 31, 2019 (Predecessor)	—
Unvested at December 31, 2019 (Successor)	—

The following table presents total expense recognized:

	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	Year Ended December 31,
	2019		2019	2018
<i>Dollars in Thousands except units issued</i>				
Total expense (gain)	\$	—	3	\$ (600)

Stock Options

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The value of stock option awards is determined using the Black-Scholes option pricing model with following assumptions:

Risk-free interest rate (U.S. Treasury yield curve)	2.2%
Expected dividend yield	—%
Expected volatility	51.5%
Expected term (in years)	6

The following table presents stock options activity:

	Stock Options	Weighted Average Grant-Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value ⁽¹⁾
Outstanding at April 1, 2019 (Successor)	—	\$ —	\$ —	—	\$ —
Granted	520,483	\$ 11.06	\$ 23.00	8.7	\$ —
Exercised	—	\$ —	\$ —	—	\$ —
Forfeited	(222,333)	\$ 11.65	\$ 23.00	9.2	\$ —
Outstanding at December 31, 2019 (Successor)	298,150	\$ 10.63	\$ 23.00	8.4	\$ —
Exercisable at December 31, 2019 (Successor)	74,111	\$ 7.54	\$ 23.00	4.2	\$ —

- (1) Aggregate intrinsic value is calculated as the difference between our closing stock price at fiscal year-end and the exercise price, multiplied by the number of in-the-money options and represents the pre-tax amount that would have been received by the option holders, had they all exercised their options on the fiscal year-end date.

The following tables presents total expense recognized and value of the units vested:

	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	
	2019		2019	
<i>Dollars in Thousands except units issued</i>				
Total expense (gain)	\$	1,753	\$	—
Total value of the units vested	\$	559	\$	—

Total unrecognized compensation cost related to unamortized units was \$1.3 million as of December 31, 2019. The remaining unrecognized compensation cost related to non-vested units will be amortized over a weighted-average vesting period of approximately 27 months.

Note 13 - Stockholders' Equity

Predecessor Dividends

On February 28, 2018, the Company declared a cash dividend of \$1.8125 per share of our Predecessor Preferred Stock for the period beginning on December 31, 2017 and ending on March 30, 2018, which was paid on April 2, 2018 to holders of record of the Predecessor Preferred Stock as of March 15, 2018. On May 10, 2018, the Company declared a cash dividend of \$1.8125 per share of our Predecessor Preferred Stock for the period beginning on March 31, 2018 and ending on June 29, 2018, which was paid on July 2, 2018 to holders of record of the Predecessor Preferred Stock as of June 15, 2018. On August 23, 2018, the Company declared a cash dividend of \$1.8125 per share of our Predecessor Preferred Stock for the period beginning on June 30, 2018 and ending on September 29, 2018, which was paid on September 28, 2018 to holders of record of the Predecessor Preferred Stock as of September 15, 2018.

Stock Splits

On January 9, 2020, the Company held a special meeting of stockholders (the "Special Meeting"). At the Special Meeting, the holders of a majority of the Company's issued and outstanding shares of common stock entitled to vote approved amendments to the Company's certificate of incorporation, as amended (the "Certificate of Incorporation"), to effect a reverse stock split of the Company's common stock (the "Reverse Stock Split"), followed immediately by a forward stock split of the Company's

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common stock (the “Forward Stock Split,” and together with the Reverse Stock Split, the “Stock Splits”), at a ratio (i) not less than 1-for-5 and not greater than 1-for-100, in the case of the Reverse Stock Split, and (ii) not less than 5-for-1 and not greater than 100-for-1, in the case of the Forward Stock Split. If the Stock Splits are effectuated, then as a result of the Stock Splits, a stockholder owning immediately prior to the effective time of the Reverse Stock Split fewer than a minimum number of shares, which, depending on the stock split ratios chosen by the Board, would be between 5 and 100, would be paid \$30.00, without interest, for each share of common stock held by such holder immediately prior to the effective time. Cashed out stockholders would no longer be stockholders of the Company. On January 29, 2019, in connection with the anticipated Stock Splits, the Company filed a Form 25 with the Securities and Exchange Commission (the “SEC”) to voluntarily delist its common stock from trading on the New York Stock Exchange (“NYSE”) and to deregister its common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The delisting occurred ten calendar days after the filing of the Form 25 so that trading was suspended on February 10, 2020, prior to the market opening. Following the delisting, the Company’s Board has continued to evaluate updated ownership data to ascertain the aggregate costs within the ranges of stock split ratios that the Company’s stockholders approved at the Special Meeting. Based upon this analysis, the Board will continue to consider the appropriate ratio to effectuate the Stock Splits. As previously disclosed, the Board, at its sole discretion, may elect to abandon the Stock Splits and the overall deregistration process for any reason, including if it determines that effectuating the Stock Splits would be too costly. Assuming the Board determines to proceed with the Stock Splits and the overall deregistration process, the Company will file with the State of Delaware certificates of amendment to the Company’s Certificate of Incorporation to effectuate the Stock Splits. Following the effectiveness of the Stock Splits, the Company will file a Form 15 with the SEC certifying that it has less than 300 stockholders, which will terminate the registration of the Company’s common stock under Section 12(g) of the Exchange Act. As a result, the Company would cease to file annual, quarterly, current, and other reports and documents with the SEC, and stockholders will cease to receive annual reports and proxy statements. Even if the Company effectuates the Stock Splits and terminates its registration under Section 12(g) of the Exchange Act, the Company intends to continue to prepare audited annual and unaudited quarterly financial statements and to make such information available to its stockholders on a voluntary basis. However, the Company would not be required to do so by law and there is no assurance that even if the Company did make such information available that it would continue to do so in the future.

Note 14 - Earnings (Loss) Per Share (EPS)

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The effects of dilutive securities such as Successor unvested restricted stock units, Successor unvested stock options, Successor warrants and Predecessor preferred stock are included in the diluted EPS calculation, when applicable. The number of outstanding dilutive securities can change with turnover of employees holding these securities.

The Successor unvested restricted stock units represent shares of Successor Common Stock that were issued upon emergence from bankruptcy under the 2019 Long Term Incentive Plan to certain employees. The Successor unvested stock options were issued upon emergence from bankruptcy under the 2019 Long Term Incentive Plan to certain employees and are convertible into one share each of Successor Common Stock at an exercise price of \$23. The Successor warrants were issued upon emergence from bankruptcy and are initially convertible into one share each of Successor Common Stock at an initial exercise price of \$48.85. See Note 2 - Chapter 11 Emergence for more details. The 500,000 units of Predecessor preferred stock were convertible into 47,619 shares of Predecessor common stock for each Predecessor preferred stock for a total of 1,587,300 shares of Predecessor common stock.

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The following table represents the computation of earnings per share:

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
<i>Dollars in thousands, except per share amounts</i>			
Basic EPS			
Numerator			
Net income (loss) available to common stockholders (numerator)	\$ 6,509	\$ (90,248)	\$ (168,416)
Denominator			
Weighted average shares outstanding	15,044,919	9,368,322	9,311,722
Number of shares used for basic EPS computation	15,044,919	9,368,322	9,311,722
Basic earnings (loss) per common share	\$ 0.43	\$ (9.63)	\$ (18.09)

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
<i>Dollars in thousands, except per share amounts</i>			
Diluted EPS			
Numerator			
Net income (loss) available to common stockholders (numerator)	\$ 6,509	\$ (90,248)	\$ (168,416)
Denominator			
Number of shares used for basic EPS computation	15,044,919	9,368,322	9,311,722
Successor unvested restricted stock units	15,446	—	—
Successor unvested stock options	—	—	—
Successor warrants	—	—	—
Predecessor preferred stock	—	—	—
Number of shares used for diluted EPS computation	15,060,365	9,368,322	9,311,722
Diluted earnings (loss) per common share	\$ 0.43	\$ (9.63)	\$ (18.09)

The following shares were excluded from the computation of diluted EPS as such shares would be anti-dilutive:

	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Successor unvested restricted stock units	283,494	—	—
Successor outstanding stock options	298,150	—	—
Successor warrants	2,580,182	—	—
Predecessor preferred stock	—	1,587,300	1,587,300

Note 15 - Revenue

The following table shows the Company's revenues by type:

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<i>Dollars in thousands</i>	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	
	2019		2019	
Lease revenue	\$	174,074	\$	42,041
Service revenue		298,321		115,356
Total revenues	\$	472,395	\$	157,397

Our business is comprised of two business lines: (1) rental tools services and (2) drilling services. See Note 17 - Reportable Segments for further details on these business lines and revenue disaggregation amounts.

Lease Revenue

We adopted Topic 842 effective January 1, 2019. For a lessor, lease revenue recognition begins at the commencement of the lease date, which is defined as the date on which a lessor makes an underlying asset available for use by the lessee. Any pre-commencement payments (e.g. mobilization) are deferred. Subsequently, any lease payments (i.e. related to any fixed consideration received) are recorded as receivables when due and payable by the lessee. All of our lease revenue is from variable lease payments. Variable lease payments are recognized as income in profit or loss as the variability is resolved (i.e. as performance or use of the asset occurs).

We elected the following package of practical expedients permitted under the transition guidance:

- an election to adopt the modified retrospective transition method applied at the beginning of the period of adoption which does not require a restatement of the prior period. Accordingly, no cumulative-effect adjustment to retained earnings was made.
- a practical expedient to not reassess whether a contract is or contains a lease and carry forward its historical lease classification.
- a practical expedient to account as a single performance obligation entirely depending on predominant component(s) i.e. lease or non-lease component. Revenue is recognized under Topic 842, if the lease component is predominant. Similarly, revenue is recognized under ASU 2014-09, Revenue from Contracts with Customers ("Topic 606") if the non-lease component is predominant.

Our lease revenue comes from rental tools services business and drilling services business as described below.

Rental Tools Services Business

Dayrate Revenues

Our rental tools services contracts generally provide for payment on a dayrate basis depending on the rate for the tool defined in the contract.

Such dayrate consideration is allocated to the distinct daily increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given day.

Drilling Services Business

Dayrate Revenues

Our drilling services contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis.

Such dayrate consideration is allocated to the distinct hourly increment to which it relates within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenues

We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization of our rigs.

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These activities are not considered to be distinct within the context of the contract and therefore, the associated revenues are allocated to the overall performance obligation and typically recognized ratably over the initial term of the related drilling contract. We record a contract liability for mobilization fees received, which is typically amortized ratably to revenue as services are rendered over the initial term of the related drilling contract. The amortized amount is adjusted accordingly if the term of the initial contract is extended.

Service Revenue

We adopted Topic 606 effective January 1, 2018, using the modified retrospective implementation method. Accordingly, we have applied the five-step method outlined in Topic 606 for determining when and how revenue is recognized to all contracts that were not completed as of the date of adoption. Revenues for reporting periods beginning as of January 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported under the previous revenue recognition guidance. For contracts that were modified before the effective date, we have considered the modification guidance within the new standard and determined that the revenue recognized and contract balances recorded prior to adoption for such contracts were not impacted. While Topic 606 requires additional disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, its adoption has not had a material impact on the measurement or recognition of our revenues. As part of the adoption, no adjustments were needed to the consolidated balance sheets, statements of operations and statements of cash flows.

Our rental tools and drilling services provided under each contract is a single performance obligation satisfied over time and comprised of a series of distinct time increments, or service periods. Total revenue is determined for each individual contract by estimating both fixed and variable consideration expected to be earned over the contract term. Fixed consideration generally relates to activities that are not distinct within the context of our contracts and is recognized on a straight-line basis over the contract term. Variable consideration generally relates to distinct service periods during the contract term and are recognized in the period when the services are performed. Our contract terms generally range from 2 to 60 months.

The amount estimated for variable consideration may be constrained (reduced) and is only recognized as revenue to the extent that it is probable that a significant reversal of previously recognized revenue will not occur during the contract term. When determining if variable consideration should be constrained, management considers whether there are factors outside the Company's control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. These estimates are re-assessed each reporting period as required. Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on invoiced amounts are typically 30 days.

Rental Tools Services Business

Dayrate Revenues

Our rental tools services contracts generally provide for payment on a dayrate basis depending on the rate for the tool defined in the contract.

Such dayrate consideration is allocated to the distinct daily increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given day.

Drilling Services Business

Dayrate Revenues

Our drilling services contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis.

Such dayrate consideration is allocated to the distinct hourly increment to which it relates within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenues

We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization of our rigs.

These activities are not considered to be distinct within the context of the contract and therefore, the associated revenues are allocated to the overall performance obligation and typically recognized ratably over the initial term of the related drilling

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contract. We record a contract liability for mobilization fees received, which is typically amortized ratably to revenue as services are rendered over the initial term of the related drilling contract. The amortized amount is adjusted accordingly if the term of the initial contract is extended.

Capital Modification Revenues

We may, from time to time, receive fees from our customers for capital improvements to our rigs to meet contractual requirements (on either a fixed lump-sum or variable dayrate basis).

Such revenues are allocated to the overall performance obligation and typically recognized ratably over the initial term of the related drilling contract as these activities are not considered to be distinct within the context of our contracts. A contract liability is recorded for such fees when received.

Demobilization Revenues

We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the demobilization of our rigs.

Due to the inherent uncertainty regarding the realization, we have elected to not recognize demobilization revenues until the uncertainty is resolved. Therefore, demobilization revenues are recognized once the related performance obligations have been completed.

Reimbursable Revenues

We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement.

Such reimbursable revenues are variable and subject to uncertainty, as the amounts received and timing thereof is highly dependent on factors outside of our control. Accordingly, reimbursable revenues are not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenues at the gross amount billed to the customer in our consolidated statements of operations. Such amounts are recognized once the services have been performed.

Reimbursable revenues during the period were as follows:

<u>Dollars in thousands</u>	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Reimbursable revenue	\$ 70,174	\$ 28,541	\$ 54,620

Contract Costs

The following is a description of the different costs that we may incur for our contracts:

Mobilization Costs

These costs include certain direct and incremental costs incurred for mobilization of contracted rigs. These costs relate directly to a contract, enhance resources of the Company that will be used in satisfying its performance obligations in the future and are expected to be recovered. These costs are capitalized when incurred as a current or noncurrent asset (depending on the length of the initial contract term), and are typically amortized over the initial term of the related drilling contract. Current and non-current capitalized mobilization costs are included in other current assets and other non-current assets, respectively, on our consolidated balance sheet.

Capitalized mobilization costs were as follows:

<u>Dollars in thousands</u>	Successor	Predecessor
	December 31, 2019	December 31, 2018
Capitalized mobilization costs	\$ 5,376	\$ 5,343

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There was no impairment loss in relation to capitalized costs. Amortization of these capitalized mobilization costs were as follows:

<i>Dollars in thousands</i>	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Amortization of capitalized mobilization costs	\$ 1,541	\$ 3,066	\$ 6,648

Demobilization Costs

These costs are incurred for the demobilization of rigs at contract completion and are recognized as incurred during the demobilization process.

Capital Modification Costs

These costs are incurred for rig modifications or upgrades required for a contract, which are considered to be capital improvements, are capitalized as property, plant, and equipment and depreciated over the estimated useful life of the improvement.

Contract Liabilities

The following table provides information about contract liabilities from contracts with customers:

<i>Dollars in thousands</i>	Successor	Predecessor
	December 31, 2019	December 31, 2018
Contract liabilities - current (Deferred revenue) ⁽¹⁾	\$ 1,920	\$ 4,081
Contract liabilities - noncurrent (Deferred revenue) ⁽¹⁾	531	2,441
Total contract liabilities	\$ 2,451	\$ 6,522

- (1) Contract liabilities - current and contract liabilities - noncurrent are included in accrued liabilities and other long-term liabilities, respectively, in our consolidated balance sheet as of December 31, 2019 and December 31, 2018.

Contract liabilities relate to mobilization revenues and capital modification revenues, where, we have unconditional right to cash or cash has been received but performance obligations have not been fulfilled. These liabilities are reduced and revenue is recognized as performance obligations are fulfilled.

Significant changes to contract liabilities balances during the nine months ended December 31, 2019 are shown below:

<i>Dollars in thousands</i>	Contract Liabilities
Balance at December 31, 2018 (Predecessor)	\$ 6,522
Decrease due to recognition of revenue	(1,451)
Increase to deferred revenue during current period	1,635
Elimination of deferred revenue due to the adoption of fresh start accounting	(3,634)
Balance at March 31, 2019 (Predecessor)	3,072
Decrease due to recognition of revenue	(7,198)
Increase to deferred revenue during current period	6,577
Balance at December 31, 2019 (Successor)	\$ 2,451

Transaction Price Allocated to the Remaining Performance Obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

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<i>Dollars in thousands</i>	Successor				
	Balance at December 31, 2019				
	2020	2021	2022	Beyond 2022	Total
Deferred lease revenue	\$ —	—	—	—	\$ —
Deferred service revenue	\$ 1,920	531	—	—	\$ 2,451

The revenues included above consist of mobilization and capital modification revenues for both wholly and partially unsatisfied performance obligations, which have been estimated for purposes of allocating across the entire corresponding performance obligations. The amounts are derived from the specific terms within contracts that contain such provisions, and the expected timing for recognition of such revenue is based on the estimated start date and duration of each respective contract based on information known at December 31, 2019. The actual timing of recognition of such amounts may vary due to factors outside of our control. We have applied the disclosure practical expedient in FASB ASC Topic No. 606-10-50-14A(b) and have not included estimated variable consideration related to wholly unsatisfied performance obligations or to distinct future time increments within our contracts.

Note 16 - Employee Benefit Plan

The Company sponsors a defined contribution 401(k) plan (the “401(k) Plan”) in which substantially all U.S. employees are eligible to participate. During 2019 and 2018 the Company matched 25.0 percent of each participant’s pre-tax contributions in an amount not exceeding 6.0 percent of the participant’s compensation, up to the maximum amount of contributions allowed by law. Starting January 2020, the Company will match 100.0 percent of each participant’s pre-tax contributions in an amount not exceeding 5.0 percent of the participant’s compensation. 401(k) Plan participants hired prior to July 2017 become 100.0 percent vested immediately in the Company’s matching contributions, and 401(k) Plan participants hired after July 2017 become vested on a pro-rata basis over three years.

The costs of matching contributions to the 401(k) Plan were as follows:

<i>Dollars in thousands</i>	Successor		Predecessor		
	Nine Months Ended December 31,		Three Months Ended March 31,		
	2019		2019		
			Year Ended December 31, 2018		
401(k) Plan matching contributions expense	\$	639	\$	179	\$ 642

Note 17 - Reportable Segments

Our business is comprised of two business lines: (1) rental tools services and (2) drilling services. We report our rental tools services business as two reportable segments: (1) U.S. rental tools and (2) International rental tools. We report our drilling services business as two reportable segments: (1) U.S. (lower 48) drilling and (2) International & Alaska drilling.

Within the four reportable segments, we have one business unit under U.S. rental tools, one business unit under International rental tools, one business unit under U.S. (lower 48) drilling, and we aggregate our Arctic, Eastern Hemisphere, and Latin America business units under International & Alaska drilling, for a total of six business units. The Company has aggregated each of its business units in one of the four reporting segments based on the guidelines of the FASB ASC Topic No. 280, Segment Reporting. We eliminate inter-segment revenues and expenses. We disclose revenues under the four reportable segments based on the similarity of the use and markets for the groups of products and services within each segment.

Rental Tools Services Business

In our rental tools services business, we provide premium rental equipment and services to exploration & production companies, drilling contractors, and service companies on land and offshore in the U.S. and select international markets. Tools we provide include standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, drill collars, pressure control equipment, including blowout preventers, and more. We also provide well construction services, which includes tubular running services and downhole tool rentals, well intervention services, which includes whipstocks, fishing, and related services, as well as inspection and machine shop support. Rental tools are used during drilling and/or workover programs and are requested by the customer as needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

U.S. Rental Tools

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Our U.S. rental tools segment maintains an inventory of rental tools for deepwater drilling, completion, workover, and production applications at facilities in Louisiana, Texas, Wyoming, North Dakota, and West Virginia. We also provide well construction and well intervention services. Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and natural gas prices and our customers' access to project financing. A portion of our U.S. rental tools business supplies tubular goods and other equipment to offshore GOM customers.

International Rental Tools

Our International rental tools segment maintains an inventory of rental tools and provides well construction, well intervention, and surface and tubular services to our customers in the Middle East, Latin America, Europe, and Asia-Pacific regions.

Drilling Services Business

In our drilling services business, we drill oil, natural gas, and geothermal wells for customers globally. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our operations and management ("O&M") service in which our customers own their drilling rigs, but choose Parker to operate and manage the rigs for them. The nature and scope of activities involved in drilling a well is similar whether it is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project-related services, such as engineering, procurement, project management, commissioning of customer-owned drilling rig projects, operations execution, and quality and safety management. We have extensive experience and expertise in drilling geologically challenging wells and in managing the logistical and technological challenges of operating in remote, harsh, and ecologically sensitive areas.

U.S. (lower 48) Drilling

Our U.S. (lower 48) drilling segment provides drilling services with our GOM barge drilling rig fleet and markets our U.S. (lower 48) based O&M services. We also provide O&M services for a customer-owned rig offshore California. Our GOM barge rigs drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama, and Texas. The majority of these wells are drilled in shallow water depths ranging from 6 to 12 feet. Our rigs are suitable for a variety of drilling programs, from inland coastal waters requiring shallow draft barges, to open water drilling in both state and federal waters. Contract terms typically consist of well-to-well or multi-well programs, most commonly ranging from 20 to 180 days.

International & Alaska Drilling

Our International & Alaska drilling segment provides drilling services, using both Company-owned rigs and O&M contracts, and project-related services. The drilling markets in which this segment operates have one or more of the following characteristics:

- customers typically are major, independent, or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure, requiring a large inventory of spare parts and other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments (such as high pressures, deep depths, hazardous or geologically challenging conditions and sensitive environments) requiring specialized equipment and considerable experience to drill; and
- O&M contracts that generally cover periods of one year or more.

We have rigs under contract in Alaska, Kazakhstan, the Kurdistan region of Iraq, Guatemala, Mexico, and on Sakhalin Island, Russia. In addition, we have O&M and ongoing project-related services for customer-owned rigs in Alaska, Kuwait, Canada, Indonesia, and on Sakhalin Island, Russia.

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The following table represents the results of operations by reportable segment:

<i>Dollars in thousands</i>	Successor	Predecessor	
	Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,
	2019	2019	2018
Revenues: ⁽¹⁾			
U.S. rental tools	\$ 144,698	\$ 52,595	\$ 176,531
International rental tools	71,292	21,109	79,150
Total rental tools services	215,990	73,704	255,681
U.S. (lower 48) drilling	36,710	6,627	11,729
International & Alaska drilling	219,695	77,066	213,411
Total drilling services	256,405	83,693	225,140
Total revenues	\$ 472,395	\$ 157,397	\$ 480,821
Operating gross margin: ⁽²⁾			
U.S. rental tools	\$ 38,054	\$ 17,289	\$ 44,512
International rental tools	4,633	(3,581)	(11,684)
Total rental tools services	42,687	13,708	32,828
U.S. (lower 48) drilling	2,189	(1,508)	(15,720)
International & Alaska drilling	11,845	(776)	(21,936)
Total drilling services	14,034	(2,284)	(37,656)
Total operating gross margin	56,721	11,424	(4,828)
General and administrative expense	(17,967)	(8,147)	(24,545)
Loss on impairment	—	—	(50,698)
Gain (loss) on disposition of assets, net	226	384	(1,724)
Pre-petition restructuring charges	—	—	(21,820)
Reorganization items	(1,173)	(92,977)	(9,789)
Total operating income (loss)	37,807	(89,316)	(113,404)
Interest expense	(20,902)	(274)	(42,565)
Interest income	887	8	91
Other	(188)	(10)	(2,023)
Income (loss) before income taxes	\$ 17,604	\$ (89,592)	\$ (157,901)

(1) For the nine months ended December 31, 2019, our largest customer, ENL, constituted approximately 29.3 percent of our total consolidated revenues and approximately 62.9 percent of our International & Alaska drilling segment revenues. Excluding reimbursable revenues of \$63.2 million, ENL constituted approximately 18.6 percent of our total consolidated revenues and approximately 48.8 percent of our International & Alaska drilling segment revenues.

For the three months ended March 31, 2019, our largest customer, ENL, constituted approximately 31.2 percent of our total consolidated revenues and approximately 63.8 percent of our International & Alaska drilling segment revenues. Excluding reimbursable revenues of \$26.3 million, ENL constituted approximately 17.7 percent of our total consolidated revenues and approximately 46.6 percent of our International & Alaska drilling segment revenues.

For the year ended December 31, 2018, our largest customer, ENL, constituted approximately 25.7 percent of our total consolidated revenues and approximately 58.0 percent of our International & Alaska drilling segment revenues. Excluding reimbursable revenues of \$47.2 million, ENL constituted approximately 17.9 percent of our total consolidated revenues and approximately 48.0 percent of our International & Alaska drilling segment revenues.

(2) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.

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Other business segment information

The following table represents capital expenditures and depreciation and amortization by reportable segment:

	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	
	2019		2019	
<i>Dollars in thousands</i>				
Capital expenditures:				
U.S. rental tools	\$	51,539	\$	4,429
International rental tools		9,650		3,166
U.S. (lower 48) drilling		1,061		395
International & Alaska drilling		7,787		1,199
Corporate		1,070		42
Total capital expenditures	\$	71,107	\$	9,231
Depreciation and amortization: ⁽¹⁾				
U.S. rental tools	\$	30,912	\$	11,715
International rental tools		5,999		4,115
U.S. (lower 48) drilling		4,424		808
International & Alaska drilling		20,164		8,464
Total depreciation and amortization	\$	61,499	\$	25,102

(1) For presentation purposes, for the nine months ended December 31, 2019, the three months ended March 31, 2019, and the year ended December 31, 2018, depreciation expense for corporate assets are as follows:

	Successor		Predecessor	
	Nine Months Ended December 31,		Three Months Ended March 31,	
	2019		2019	
<i>Dollars in thousands</i>				
Depreciation expense for corporate assets	\$	572	\$	2,337
				8,441

The following table represents identifiable assets by reportable segment:

	Successor		Predecessor	
	December 31,		December 31,	
	2019		2018	
<i>Dollars in Thousands</i>				
U.S. rental tools	\$	221,383	\$	216,123
International rental tools		98,041		146,471
U.S. (lower 48) drilling		27,335		30,283
International & Alaska drilling		255,844		366,856
Total identifiable assets		602,603		759,733
Corporate		80,245		68,681
Total assets	\$	682,848	\$	828,414

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Geographic information

The following table represents selected geographic information:

<i>Dollars in Thousands</i>	Successor		Predecessor			
	Nine Months Ended December 31,		Three Months Ended March 31,			
	2019		2019			
			Year Ended December 31,			
			2018			
Revenues:						
United States	\$	204,450	\$	66,252	\$	207,612
Russia		138,893		49,388		123,767
EMEA & Asia		69,027		25,133		92,568
Latin America		29,351		5,482		14,631
Other CIS		11,635		3,621		13,703
Other		19,039		7,521		28,540
Total revenues	\$	472,395	\$	157,397	\$	480,821

<i>Dollars in Thousands</i>	Successor		Predecessor	
	December 31,		December 31,	
	2019		2018	
Long-lived assets: ⁽¹⁾				
United States	\$	238,497	\$	369,106
Russia		3,276		16,964
EMEA & Asia		27,342		89,696
Latin America		20,181		36,656
Other CIS		10,472		21,949
Total long-lived assets	\$	299,768	\$	534,371

(1) Long-lived assets consist of property, plant, and equipment, net.

Note 18 - Selected Quarterly Financial Data (Unaudited)

<i>Dollars in thousands, except per share data</i>	Predecessor		Successor							
	2019		2019							
	First Quarter		Second Quarter	Third Quarter	Fourth Quarter	Total				
Revenues	\$	157,397	\$	156,031	\$	160,083	\$	156,281	\$	472,395
Operating gross margin	\$	11,424	\$	22,991	\$	22,268	\$	11,462	\$	56,721
Operating income (loss)	\$	(89,316)	\$	16,366	\$	15,982	\$	5,459	\$	37,807
Net income (loss)	\$	(90,248)	\$	4,641	\$	3,989	\$	(2,121)	\$	6,509
Net income (loss) available to common stockholders	\$	(90,248)	\$	4,641	\$	3,989	\$	(2,121)	\$	6,509
Basic earnings (loss) per common share ⁽¹⁾	\$	(9.63)	\$	0.31	\$	0.27	\$	(0.14)	\$	0.43
Diluted earnings (loss) per common share ⁽¹⁾	\$	(9.63)	\$	0.31	\$	0.27	\$	(0.14)	\$	0.43

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	Predecessor				
	2018				
<i>Dollars in thousands, except per share data</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 109,675	\$ 118,603	\$ 123,395	\$ 129,148	\$ 480,821
Operating gross margin	\$ (10,408)	\$ (167)	\$ 1,932	\$ 3,815	\$ (4,828)
Operating income (loss)	\$ (16,266)	\$ (8,933)	\$ (56,544)	\$ (31,661)	\$ (113,404)
Net income (loss)	\$ (28,796)	\$ (22,877)	\$ (70,951)	\$ (43,073)	\$ (165,697)
Net income (loss) available to common stockholders	\$ (29,702)	\$ (23,784)	\$ (71,857)	\$ (43,073)	\$ (168,416)
Basic earnings (loss) per common share ⁽¹⁾	\$ (3.21)	\$ (2.56)	\$ (7.70)	\$ (4.60)	\$ (18.09)
Diluted earnings (loss) per common share ⁽¹⁾	\$ (3.21)	\$ (2.56)	\$ (7.70)	\$ (4.60)	\$ (18.09)

(1) As a result of shares issued during the year, earnings (loss) per share for each of the year's four quarters, which are based on weighted average shares outstanding during each quarter, may not equal the annual earnings (loss) per share, which is based on the weighted average shares outstanding during the year. Additionally, as a result of rounding to the thousands, earnings per share may not equal the year-to-date results.

Note 19 - Recent Accounting Pronouncements

Standards recently adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires (a) an entity to separate the lease components from the non-lease components in a contract where the lease component will be accounted for under ASU 2016-02 and the non-lease component will be accounted for under ASU 2014-09, (b) recognition of lease assets and lease liabilities by lessees and derecognition of the leased asset and recognition of a net investment in the lease by the lessor and (c) additional disclosure requirements for both lessees and lessors. We adopted the ASU 2016-02, Leases (Topic 842) effective January 1, 2019, using the modified retrospective transition method applied at the beginning of the period of adoption. See Note 6 - Operating Leases for further details.

Standards not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326). This requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income, including loans, debt securities, trade receivables, net investments in leases and available-for-sale debt securities. This ASU broadens the information that an entity must consider in developing its estimate of expected credit losses, requiring an entity to estimate credit losses over the life of an exposure based on historical information, current information and reasonable and supportable forecasts. The guidance is effective for interim and annual periods beginning after December 15, 2019. In October 2019, FASB tentatively decided to defer the effective dates for eligible SEC filers that are eligible to be smaller reporting companies to interim and annual periods beginning after December 15, 2022. We are currently evaluating the effect the guidance will have on our consolidated financial statements.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), we carried out an evaluation, under the supervision and with the participation of management, including our Chair of Office of the Chief Executive Officer Committee and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chair of Office of the Chief Executive Officer Committee and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2019 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chair of Office of the Chief Executive Officer Committee and our Chief Financial Officer, to allow timely decisions regarding required disclosure and is (2) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States,
- provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

The Company's management with the participation of the Chair of Office of the Chief Executive Officer Committee and Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of the design and testing of the operational effectiveness of our internal control over financial reporting. Management reviewed the results of its assessment with the audit committee of the board of directors.

Based on that assessment and those criteria, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

KPMG LLP, our independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued a report with respect to our internal control over financial reporting as of December 31, 2019.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Item 9B. Other Information

None.

PART III*Item 10. Directors, Executive Officers and Corporate Governance***Board of Directors**

The following sets forth information concerning each director's name, age, principal occupation or employment.

Name	Age	Position with Parker	Director Since
Eugene Davis	64	Independent Director and Chairman	March 26, 2019
Patrick Bartels	44	Independent Director	March 26, 2019
Michael Faust	59	Independent Director	March 26, 2019
Barry L. McMahan	65	Independent Director	March 26, 2019
Zaki Selim	63	Independent Director	March 10, 2015
L. Spencer Wells	49	Independent Director	March 26, 2019

Eugene Davis, Chairman

Eugene Davis is Chairman and Chief Executive Officer of PIRINATE Consulting Group, LLC, or PIRINATE, a privately held consulting firm specializing in turnaround management, merger and acquisition consulting, and hostile and friendly takeovers, proxy contests, and strategic planning advisory services for domestic and international public and private business entities. Since forming PIRINATE in 1997, Mr. Davis has advised, managed, sold, liquidated and served as a chief executive officer, chief restructuring officer, director, committee chairman or chairman of a number of businesses operating in diverse sectors. From 1990 to 1997, Mr. Davis served as President, Vice Chairman, and Director of Emerson Radio Corporation and from 1996 to 1997, he served as Chief Executive Officer and Vice Chairman of Sport Supply Group, Inc. He began his career as an attorney and international negotiator with Exxon Corporation and Standard Oil Company (Indiana) and was in private practice from 1984 to 1998. Mr. Davis serves as a director and chairman of the board for U.S. Concrete, Inc. and. In addition, Mr. Davis serves as a director of Sanchez Energy, and Mosaic Acquisition Corp., as well as certain non-SEC reporting companies. Mr. Davis was previously a director of the following public companies: Atlas Air Worldwide Holdings, Inc., Atlas Iron Limited, The Cash Store Financial Services, Inc. Global Power Equipment Group, Inc., Goodrich Petroleum Corp., Great Elm Capital Corporation, GSI Group, Inc., Hercules Offshore, Inc., HRG, Spectrum and Titan Energy, LLC. Mr. Davis' prior experience also includes having served on the board of directors of each of ALST Casino Holdco, LLC and Trump Entertainment Resorts, Inc. Mr. Davis holds a bachelor's degree from Columbia College, a master of international affairs degree (MIA) in international law and organization from the School of International Affairs of Columbia University, and a Juris Doctorate from Columbia University School of Law.

Patrick Bartels

Patrick Bartels is a senior investment professional with 20 years of experience and currently serves as the Managing Member of Redan Advisors LLC. His professional experience includes investing in complex financial restructurings and process intensive situations in North America, Asia, and Europe in a broad universe of industries. Mr. Bartels served as a director on numerous public and private boards of directors with an extensive track-record of driving value-added returns for all stakeholders through governance, incentive alignment, capital markets transactions and mergers and acquisitions. Mr. Bartels currently serves on the board of directors of Hexicon Inc., Monitronics International, Inc., Arch Coal, Inc. as well as certain non-SEC reporting companies. Mr. Bartels also served on the board of directors of WCI Communities, Inc., B. Riley Principal Merger Corp. and Vanguard Natural Resources, Inc. Mr. Bartels was previously a Managing Principal of Monarch Alternative Capital LP in New York, a private investment firm that focuses primarily on distressed companies. Prior to joining Monarch Alternative Capital LP, Mr. Bartels was a high-yield investments analyst at Invesco Ltd. He began his career at PricewaterhouseCoopers LLP, where he was a Certified Public Accountant. Mr. Bartels received a Bachelor of Science in Accounting with a concentration in Finance from Bucknell University. He also holds the Chartered Financial Analyst designation.

Michael Faust

Michael Faust has 34 years of industry, financial and leadership experience within the oil and gas sector, including diverse geological, geophysical and technical reservoir experience spanning many different basins and formations throughout the world. Mr. Faust is the chief executive officer and director of Obsidian Energy Ltd. since March 2019, and is a consultant with Quartz Geophysical LLC, a geophysical consulting business. Mr. Faust is Lead Independent Director of SAExploration, Inc. Prior to these positions, Mr. Faust was the Vice President, Exploration and Land at ConocoPhillips Alaska, Inc. After joining Arco Alaska, Inc. in 1997, Mr. Faust held multiple senior positions up to and following Phillips Petroleum Co.'s acquisition of Arco Alaska, Inc. in

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2000 and the subsequent merger between Phillips and Conoco Inc. In 2008, Mr. Faust was appointed Vice President of Exploration and Land at ConocoPhillips Canada Ltd. Prior to Arco Alaska, Inc., Mr. Faust also held various positions with Exxon Exploration Company and Esso Norge A.S. Mr. Faust holds a Master of Arts degree in Geophysics from the University of Texas after receiving his Bachelor of Science degree in Geology from the University of Washington.

Barry L. McMahan

Barry L. McMahan retired as Senior Vice President of Seneca Resources, a wholly owned subsidiary of National Fuel Gas Company, and was responsible for Seneca's Operations in the U.S. Mr. McMahan joined Seneca in 1988 and managed Seneca's California assets before being promoted to manage all company assets. Mr. McMahan has more than 34 years' experience in oil and gas production development and management. As a member of Seneca's senior management, Mr. McMahan was engaged in all aspects of both conventional and shale development. Mr. McMahan attended California Lutheran University where he majored in Finance. He was a member of the American Petroleum Institute, the Society of Petroleum Engineers and the Western States Petroleum Association, where he served on the Board of Directors. Mr. McMahan was named the Western States Petroleum Association's Man of the Year in 1994 for his efforts in regulatory reform. In addition, he serves on the Board of Trustees and the endowment committee for Pyle's Boys Camp, an organization serving at-risk disadvantaged young men in Southern California. Mr. McMahan joined the board of U.S. Well Services, a private equity backed pure play hydraulic fracturing services company with operations in the Appalachian basin and Texas. Mr. McMahan's board service was concluded with a successful IPO in November of 2018. Mr. McMahan currently serves of the Board of Tribune Resources, where he chairs the compensation committee and serves on the audit committee.

Zaki Selim

Zaki Selim is the non-executive chairman and a member of the Board of Directors of Glasspoint, Inc., a manufacturer of solar steam generators for use in the oil and gas industry, a position he has held since 2013. He has also served as a senior advisor with First Reserve, a private equity investment firm focused on global energy and infrastructure investments, from 2013 to 2014. Mr. Selim also served as a director of the Board of Total Safety U.S., Inc., a privately held industrial safety service provider from 2012 to 2017. In 2017, Mr. Selim joined the Board of Directors of Paragon Offshore, a provider of offshore drilling services. An oil and gas industry veteran, Mr. Selim retired from Schlumberger in 2010 after a 29-year career with the company. From 1983 until 2010, he held progressive management positions within Schlumberger Limited, retiring as the area president for Oilfield Services - Middle East/Asia. From 2010 to 2012, Mr. Selim served as chief executive officer of PetroPro, an energy consulting business based in Dubai, U.A.E. Mr. Selim is a member of the Society of Petroleum Engineers (SPE), holds a bachelor's degree in mechanical engineering from Cairo University's Faculty of Engineering and attended the management program at Harvard Business School.

L. Spencer Wells

L. Spencer Wells is a Founding Partner of Drivetrain Advisors, LLC, a firm that provides fiduciary services, including board of director representation and creditor advisory and trustee services to the alternative investment industry. Prior to founding Drivetrain Advisors, Mr. Wells was a Partner and Senior Advisor at TPG Special Situations Partners where he was a senior member of a team of investment professionals managing a multi-billion dollar portfolio of distressed credit investments across several industries, including oil and gas, real estate, gaming and industrials. Mr. Wells has extensive experience servicing on the board of directors and currently serves on several boards, including Telford Offshore Holdings Ltd (fka Sea Trucks) (where he chairs the audit committee), NextDecade Corp. (where he chairs the audit committee), Samson Resources II, LLC (including its compensation and audit committees), Vantage Drilling International, Town Sports International Holdings, Inc. (where he chairs the nominating and governance committee and is a member of the audit committees), Jones Energy Inc., Advanced Emissions Solutions, Inc. (where he chairs the board of directors and is a member of the finance committee) and Vanguard Natural Resources, Inc. (including the nomination and governance committee and audit committees). Mr. Wells previously served on the board of directors of Preferred Proppants LLC (through January 2018), Roust Corporation (through December 2017), Lily Robotics, Inc. (through September 2017), Affinion Group, Inc. (through July 2017), Syncora Holdings Ltd. (through December 2016), Global Geophysical Services, LLC (through October 2016), Navig8 Crude, Ltd. (through May 2015) and CertusHoldings, Inc. and CertusBank, N.A. (through April 2016). Mr. Wells is also a member of the board of trustees of Western Reserve Academy. Mr. Wells holds a Master of Business Administration from the Columbia Business School and a Bachelor of Arts, Psychology from Wesleyan University.

Executive Officers

Certain information concerning our executive officers is set forth below.

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Name	Age	Position with Parker
Michael W. Sumruld	49	Senior Vice President and Chief Financial Officer
Jon-Al Duplantier	52	President Rental Tools and Well Services
Bryan R. Collins	53	President, Drilling Operations
Jennifer F. Simons	43	Vice President, General Counsel & Corporate Secretary

Michael W. Sumruld, Senior Vice President, Chief Financial Officer

Mike Sumruld is senior vice president and chief financial officer (CFO) for Parker Drilling, appointed October 1, 2017. He manages the company's investor relations, corporate development, treasury, accounting and finance, tax, financial planning and analysis, supply chain and information technology organizations. He most recently served as chief accounting officer for LyondellBasell Industries N.V., one of the largest plastics, chemicals, and refining companies in the world. In that role, he had global responsibility for corporate accounting, financial reporting, and internal controls. From 1998 through 2016, Mr. Sumruld worked at Baker Hughes Incorporated, a leading supplier of oilfield services, products, technology and systems to the worldwide oil and natural gas industry, where he held a range of financial roles, covering the U.S., Latin America, and the Eastern Hemisphere as well as global financial roles covering several product lines. Mr. Sumruld's most recent roles at Baker Hughes include vice president and treasurer from 2013-2016; vice president finance eastern hemisphere from 2012 - 2013; and director, investor relations 2011. Mr. Sumruld is a certified public accountant and holds a bachelor's degree in accounting from the University of Houston and an MBA from Texas A&M University.

Jon-Al Duplantier, President, Rental Tools and Well Services

Jon-Al Duplantier is president, rental tools and well services for Parker Drilling, appointed April 2, 2018. Prior to assuming this role, Mr. Duplantier served as the Company's senior vice president, chief administrative officer and secretary. In 2017, he also served as interim chief financial officer of the Company. Mr. Duplantier joined Parker Drilling in 2009 as vice president and general counsel. Before joining Parker, he served in several legal and management roles at ConocoPhillips, including senior counsel, Exploration and Production; managing counsel, Indonesia; managing counsel, environmental; and general counsel, Dubai Petroleum Company, a subsidiary of ConocoPhillips at the time. Prior to joining ConocoPhillips, Mr. Duplantier served as a patent attorney for DuPont in Wilmington, Delaware. Mr. Duplantier is a respected and trusted leader with over 20 years' experience in the energy industry. He received his juris doctor degree from Louisiana State University in 1992 and a bachelor's degree in chemistry from Grambling State University.

Bryan R. Collins, President, Drilling Operations

Bryan Collins is the president, drilling operations of Parker Drilling, appointed January 1, 2018. He served as vice president - Arctic and Latin America operations from April 2016 to December 2016, and as Parker Drilling's Vice President of Arctic operations from March 2013 to April 2016. Previously, he served as Parker Drilling's global director of business development from February 2012 to March 2013. Before joining Parker Drilling, Mr. Collins served in various operational and senior management roles at Schlumberger, Ltd., including vice president for drilling & measurements operations in Russia and over 6 years as Schlumberger's global account manager for ExxonMobil's worldwide drilling operations based in Houston, Texas. Mr. Collins brings over 25 years in the upstream oilfield services business, serving in executive, operational, marketing, account management and general management roles in Russia, North America and South America. Mr. Collins holds a bachelor's degree in computer science from Southwest Texas State University.

Jennifer F. Simons, Vice President, General Counsel & Corporate Secretary

Jennifer Simons was appointed vice president, general counsel & corporate secretary for Parker Drilling on April 2, 2018 to lead the company's legal, compliance, and risk management organizations. Ms. Simons previously served as general manager of the company's Atlantic Canada division. Under Ms. Simons' leadership, the division received recognition for delivering safe, efficient, record-breaking operations with a culture of safety, teamwork, and integrity. Before relocating to Newfoundland in 2016, Ms. Simons served as managing counsel for the company's Arctic Business Unit, having served in various legal roles of increasing responsibility since joining the company as corporate counsel in 2010. Prior to joining Parker Drilling, Ms. Simons represented energy, engineering, construction, and real estate clients at Chamberlain Hrdlicka White Williams & Martin, a national law firm headquartered in Houston. Ms. Simons received a Juris Doctorate from University of Houston and a bachelor's degree in Literature from University of Houston Clear Lake.

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Director Independence

Our Board affirmatively determined that the following non-employee Directors, are independent under the NYSE Corporate Governance Listing Standards and Exchange Act Rules: Patrick Bartels, Eugene Davis, Michael Faust, Barry L. McMahan, Zaki Selim and L. Spencer Wells. The Board of Directors also determined that all members of the Audit Committee, Compensation Committee and Nominating and Governance Committee are independent under applicable NYSE and Exchange Act Rules for purposes of each committee on which they serve, including our Audit Committee.

There is no family relationship between any of the Directors or executive officers of the Company.

Board Structure and Nominations Process

Pursuant to our certificate of incorporation, our Board consists of a single class of directors, with the initial term of office to expire at the next annual meeting of stockholders. At each annual meeting of stockholders, directors are elected to succeed those directors whose term has expired, for a term of office to expire at the next succeeding annual meeting of stockholders after their election. Subject to the rights of the holders of preferred stock that may be issued from time to time, the election of directors shall be determined by a plurality of the votes cast by the stockholders present in person or represented by proxy at the annual meeting of stockholders and entitled to vote thereon.

Any stockholder may nominate one or more persons for election to our Board at an annual meeting of stockholders if the stockholder complies with the advance notice, information and consent provisions contained in Section 3.02 of our amended and restated bylaws, which are briefly described as follows. To nominate a candidate, a stockholder must submit, among other information, certain details about the person as well as such other information about the person that would be required by the SEC rules to be included in a proxy statement, and a written questionnaire with respect to the background and qualification of such person (in a form to be provided by the Company's corporate secretary). In addition, the stockholder must include the consent of the candidate with respect to such candidate's election and commitment to serve if elected, and describe any relationships, arrangements or undertakings between the stockholder and the candidate regarding the nomination or otherwise. The stockholder must also provide information concerning its beneficial ownership in the Company's stock, representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and such other information about the stockholder that would be required by the SEC rules to be included in a proxy statement along with all other information required by our amended and restated bylaws.

A notice in proper written form from a stockholder wishing to submit a candidate for consideration should send such notice to the corporate secretary of Parker at its principal executive offices on 5 Greenway Plaza, Suite 100, Houston, Texas 77046, containing the information detailed in our amended and restated bylaws, which should be submitted and received, and updated and supplemented as required, subject to the deadlines detailed therein.

Board Committees

Shortly after the appointment of the Board on the Plan Effective Date, four standing committees of the Board were established comprised of non-employee directors: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance and Strategic Planning Committee. These committees are governed by charters adopted by the Board on April 24, 2019. The charters establish the purposes of the committees as well as committee membership guidelines. The charters also define the authority, responsibilities and procedures of the committee in relation to the committee's role in supporting the Board and assisting the Board in discharging its duties in supervising and governing the Company. A copy of the charters are available on our website at www.parkerdrilling.com in the "About Us" section under "Governance." As the Company searches for a Chief Executive Officer to replace Mr. Rich, the Board has established the Office of the CEO Committee of the Board to perform the executive functions and responsibilities formerly performed by Mr. Rich. Mr. Eugene Davis, the Company's Chairman of the Board, was appointed to serve as the Chair of the Office of the CEO Committee and, in such capacity, has been designated by the Board.

The Audit Committee

The Audit Committee is currently comprised of three members of the Board: Mr. Patrick Bartels, Chairman, Mr. Michael Faust, and Mr. Barry McMahan.

The Board has reviewed the qualifications of the members of the Audit Committee and determined that, in addition to satisfying the NYSE corporate governance listing standards for independence, each member of the Audit Committee satisfies the independence requirements of the SEC, pursuant to Rule 10A-3 under the Exchange Act.

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In addition, the Board has previously determined that each member of the Audit Committee is financially literate, and that Mr. Bartels is an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K.

The committee assists the Board in overseeing:

- (1) the integrity of (a) the process involved in the preparation of financial statements, and (b) auditing of the financial statements of the Company;
- (2) the independent registered public accounting firm’s qualifications and independence;
- (3) the performance of the internal audit function and the independent registered public accounting firm; and
- (4) the Company’s compliance with legal and regulatory requirements,

Compensation Committee

The current members of the Compensation Committee are Mr. Spencer Wells, Mr. Zaki Selim and Mr. Eugene Davis.

Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Mr. Eugene Davis, Mr. Patrick Bartels, Mr. Michael Faust, Mr. Barry McMahan, Mr. Zaki Selim and Mr. Spencer Wells.

Finance and Strategic Planning Committee

The current members of the Finance and Strategic Planning Committee are Mr. Eugene Davis, Mr. Spencer Wells, Mr. Patrick Bartels, and Mr. Barry McMahan.

Policy on Business Ethics and Conduct

All of our Board members and employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, are required to abide by the Company’s Code of Conduct (“Code of Conduct”) to ensure that our business is conducted in accordance with the requirements of law and the highest ethical standards. The Code of Conduct contains provisions on financial ethics consistent with the ethics requirements of the SEC that were instituted pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) and the corporate governance listing standards of the NYSE.

The full text of the Code of Conduct is published on our website at www.parkerdrilling.com at “About Us” under the “Governance” section. So long as the Company is subject to reporting obligations under the Exchange Act, we will disclose on our website any future amendments to the Code of Conduct and any waivers of such code that affect directors and executive officers and senior financial personnel within four business days following such amendment or waiver. Information contained on or available through our website is not a part of or incorporated into this Form 10-K or any other report that we may file with or furnish to the SEC.

Item 11. Executive Compensation

The following table sets forth information regarding the compensation awarded to, earned by, or paid to certain executive officers of the Company during the fiscal years ending on December 31, 2019 and December 31, 2018. We are a “smaller reporting company” as such term is defined in the rules promulgated under the Securities Act and must comply with the executive compensation disclosure rules applicable to such “smaller reporting companies,” which require compensation disclosure for all individuals serving as our principal executive officer during the last completed fiscal year, our two other most highly compensated executive officers and, if applicable, up to two additional individuals for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer of the Company at the end of the last completed fiscal year. These officers are referred to herein as our “named executive officers.”

Our named executive officers are Gary Rich, our former Chairman, President and Chief Executive Officer, who was our principal executive officer during the last completed fiscal year and Michael Sumruld, our Senior Vice President and Chief Financial Officer and Jon-Al Duplantier, our President, Rental Tools and Well Services, each of whom are our two other most highly-compensated executive officers. No additional individual terminated employment with us in 2019 whose compensation would have otherwise been disclosed but for the fact that the individual was not serving as one of our executive officers on December 31, 2019. Mr. Rich retired from service with the Company and/or any of its subsidiaries or affiliates on December 31, 2019 and no longer holds any position with the Company and/or any of its subsidiaries or affiliates.

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The following table summarizes the total compensation for the named executive officers of the Company, each of whom is identified in the following table, for all services rendered in all capacities during the fiscal years ending on December 31, 2019 and December 31, 2018.

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus	Stock Awards ⁽²⁾	Option Awards ⁽³⁾	Non-Equity Incentive Plan Compensation ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Gary Rich Former Chairman, President and CEO	2019	\$ 720,885	\$ —	\$ 4,370,072	\$ 3,148,976	\$ 1,112,775	\$ 1,700,056	\$ 11,052,764
	2018	\$ 650,000	\$ —	\$ 1,274,399	\$ —	\$ 2,517,858	\$ 4,125	\$ 4,446,382
	2019	\$ 382,462	\$ —	\$ 915,354	\$ 695,482	\$ 539,582	\$ 14,164	\$ 2,547,044
Michael Sumruld Senior Vice President and CFO	2018	\$ 375,000	\$ —	\$ 417,966	\$ —	\$ 691,744	\$ 4,125	\$ 1,488,835
	2019	\$ 418,654	\$ —	\$ 1,010,436	\$ 767,712	\$ 624,455	\$ 16,663	\$ 2,837,920
Jon-Al Duplantier President, Rental Tools and Well Services	2018	\$ 400,000	\$ —	\$ 445,838	\$ —	\$ 903,713	\$ 4,125	\$ 1,753,676

(1) Prior to March 26, 2019, each of Mr. Rich’s, Mr.’s Sumruld’s and Mr. Duplantier’s annual base salary was as follows: \$650,000, \$375,000 and \$400,000, respectively. Effective as of March 26, 2019, each of Mr. Rich’s, Mr. Sumruld’s and Mr. Duplantier’s annual base salary increased to the following amounts: \$745,000, \$385,000 and \$425,000, respectively.

(2) For 2019, the amounts in **column (e)** represent (x) for Mr. Rich, (i) the aggregate grant date fair value of restricted stock units (the “RSUs”) granted to him on March 26, 2019, \$3,409,106, and (ii) the incremental fair value of such RSUs, which were modified on July 11, 2019, \$960,966 (such amount, the “Incremental RSU Modification Value”), in each case, calculated in accordance with Financial Accounting Standards Board ASC 718, Stock Compensation (“FASB”) as of the grant date or modification date, as applicable and (y) for each of Mr. Sumruld and Duplantier, the aggregate grant date fair value of the RSUs granted to him on March 26, 2019, calculated in accordance with FASB. On March 26, 2019, each of Mr. Rich, Mr. Sumruld and Mr. Duplantier was granted 148,222 RSUs, 39,798 RSUs, and 43,932 RSUs, respectively, pursuant to the terms and conditions of the 2019 Long-Term Incentive Plan (as may be amended from time to time, the “2019 LTIP”) and an award agreement. Subject to his execution of a release of claims, on December 31, 2019, 49,407 of the RSUs granted to Mr. Rich vested, 24,704 of such vested RSUs were converted into vested phantom shares and the remaining RSUs granted to him were canceled pursuant to the terms and conditions of a transition and separation agreement the Company and Parker Drilling Management Services Ltd., a Nevada corporation and wholly-owned subsidiary of the Company, entered into with Mr. Rich on July 11, 2019 (as amended on February 21, 2020, the “Separation Agreement”), which amended the terms and conditions of the award agreement with Mr. Rich. Pursuant to an amendment and restatement of the RSU award agreement with each of Mr. Sumruld and Mr. Duplantier, dated February 21, 2020, one-half of the RSUs awarded to each such executive under the 2019 LTIP and such award agreement (19,899 and 21,966 for Mr. Sumruld and Mr. Duplantier, respectively) were converted into phantom shares and the remaining RSUs remained as RSUs.

For 2018, the amounts in **column (e)** represent the aggregate grant date fair value of the RSUs, time-based phantom stock units (the “time-based PhSUs”), and performance-based phantom stock units (the “performance-based PhPSUs”) granted to each of the named executive officers in 2018 and calculated in accordance with FASB. The grant date fair value of the performance-based PhPSUs is reported at the grant date based upon the probable outcome of the underlying performance conditions of such award. The grant date fair value of the performance-based PhPSUs assuming that the highest level of performance conditions will be achieved at 250% payout for Mr. Rich is \$1,287,000, for Mr. Sumruld \$325,181, and for Mr. Duplantier \$346,866 for the awards granted in 2018. On March 12, 2018 and as adjusted by a reverse stock split of our common stock at a ratio of 1 for 15 on July 27, 2018, (i) Mr. Rich was granted 30,506 RSUs, 30,506 time-based PhSUs and a target award of 45,760 performance-based PhPSUs; (ii) Mr. Sumruld was granted 11,562 RSUs, 11,562 time-based PhSUs and a target award of 11,562 performance-based PhPSUs; and (iii) Mr. Duplantier was granted 12,333 RSUs, 12,333 time-based PhSUs and a target award of 12,333 performance-based PhPSUs, in each case, under the terms and conditions of the 2010 Long-Term Incentive Plan (as Amended and Restated as of May 10, 2016) (the “2010 LTIP”) and an award agreement.

For additional information relating to assumptions made by the Company in valuing such awards, see Note 13 - Stockholders' Equity to our consolidated financial statements included elsewhere in this Form 10-K.

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- (3) The amounts in **column (f)** represent (x) for Mr. Rich, (i) the aggregate grant date fair value of the stock options granted to him on March 26, 2019 (\$2,590,179) and (ii) the incremental fair value of such stock options, which were modified on July 11, 2019 (\$558,797), in each case, calculated in accordance with FASB as of the grant date or modification date, as applicable and (y) for each of Mr. Sumruld and Duplantier, the aggregate grant date fair value of the stock options granted to him on March 26, 2019, calculated in accordance with FASB. On March 26, 2019, each of Mr. Rich, Mr. Sumruld and Mr. Duplantier was granted 222,333 stock options, 59,698 stock options, and 65,898 stock options, respectively, pursuant to the terms and conditions of the 2019 LTIP and an award agreement. Subject to his execution of a release of claims, on December 31, 2019, 74,111 of the stock options granted to Mr. Rich vested and the remaining stock options granted to him were canceled pursuant to the terms and conditions of the Separation Agreement, which amended the terms and conditions of the award agreement with Mr. Rich.

For additional information relating to assumptions made by the Company in valuing the stock options, see Note 13 - Stockholders' Equity to our consolidated financial statements included elsewhere in this Form 10-K.

- (4) For 2019, the amounts in **column (g)** represent the aggregate sum of the following amounts: (i) for Mr. Sumruld and Mr. Duplantier, the pro-rated incentive cash compensation payments under the 2019 Incentive Compensation Plan (the "2019 ICP"), equal to \$237,786 and \$242,410, respectively, which shall be payable on or about March 15, 2020 with respect to 2019 performance; (ii) the quarterly cash performance bonus payments made under the 2018 Annual Incentive Cash Compensation Plan (the "2018 Plan") on May 1, 2019 equal to \$857,162, \$284,456, and \$303,420 for Mr. Rich, Mr. Sumruld and Mr. Duplantier, respectively; and (iii) payments made to each of Mr. Rich, Mr. Sumruld and Mr. Duplantier on March 18, 2019 equal to \$255,613, \$17,340 and \$78,625, respectively, in respect of the accelerated vesting and payout of performance cash units ("PCUs") granted in 2017 to Mr. Rich and Mr. Duplantier and 2018 to each of the named executive officers under the terms and conditions of the 2010 Plan and an award agreement. PCUs granted in 2017 were paid out at 32.5% of target, based on the achievement of the first one and two year performance periods, and PCUs granted in 2018 were paid out at 10% of target, based on the achievement of the first one-year performance period.

For 2018, the amounts in **column (g)** represent the aggregate sum of the following amounts: (i) the pro-rated incentive cash compensation payments under the 2018 Incentive Compensation Plan (the "2018 ICP") to each of the named executive officers on July 19, 2018 with respect to 2018 performance (\$325,000 for Mr. Rich; \$140,625 for Mr. Sumruld; and \$150,000 for Mr. Duplantier); (ii) the quarterly cash performance bonus payments made under the 2018 Plan on October 26, 2018 (\$926,205 for Mr. Rich; \$307,369 for Mr. Sumruld; and \$327,860 for Mr. Duplantier) and on December 10, 2018 (\$734,500 for Mr. Rich; \$243,750 for Mr. Sumruld; and \$260,000 for Mr. Duplantier); and (iii) payouts on March 6, 2019, of PCUs granted in 2016 under the terms and conditions of the 2010 Plan and an award agreement for a performance period ending in 2018 (\$532,153 for Mr. Rich and \$165,853 for Mr. Duplantier). The PCUs were denominated in dollars and were payable in cash after the completion of the applicable three-year performance period. The amounts included in the table with respect to the PCUs represent the Compensation Committee-approved payouts of the PCUs at 92.5% of target, reflecting our relative Return on Net Capital Employed ("ROCE") performance versus our peer group over the three-year performance period, 2016-2018.

- (5) For 2019, the amounts in **column (h)** represent for Mr. Rich, the aggregate amount of (i) the matching contribution made by the Company on his behalf pursuant to our 401(k) Plan as described below equal to \$4,200, (ii) a cash payment made to him on March 13, 2019 equal to \$29,217, with respect to the unvested RSUs and time-based PhSUs granted to him under the terms and conditions of the 2010 Plan and an award agreement, which were canceled and cashed out at a per share price of \$0.33 and (iii) under the Separation Agreement and subject to his execution of a release of claims, payment or settlement of the following amounts on February 29, 2020 in connection with his termination of employment on December 31, 2019: (x) a cash payment equal to \$1.5 million, (y) a cash payment equal to \$15,947 for 12 months of his (and his eligible dependents') health care continuation premiums, and (z) an amount equal to \$150,692 (which represents the difference between (a) \$1,111,658 (the market value of the 24,704 phantom shares, 24,703 RSUs and 74,111 stock options (minus, for the stock options the exercise price of \$23 per share), granted to Mr. Rich on March 26, 2019, based on the closing market price of our common stock on December 31, 2019 of \$22.50 per share, which vested upon the date of his termination of employment) and (b) the Incremental RSU Modification Value reported above in **column (e)**). For 2019, the amounts in **column (h)** represent for each of Mr. Sumruld and Mr. Duplantier, the aggregate amount of (i) the matching contribution made by the Company on his behalf pursuant to our 401(k) Plan equal to \$4,200 and (ii) a cash payment made to each of Mr. Sumruld and Mr. Duplantier on March 13, 2019 equal to \$9,964 and \$12,463, respectively, with respect to the unvested RSUs and time-based PhSUs that were granted under the terms and conditions of the 2010 Plan and an award agreement, which were canceled and cashed out at a per share price of \$0.33.

Narrative to Summary Compensation Table

Employment and Separation Agreements

Employment Agreements

Effective as of March 26, 2019, we entered into employment agreements with each of the named executive officers. Effective as of July 11, 2019, Mr. Rich's Separation Agreement, which is described below, superseded and replaced his employment agreement. The employment agreements provide for: (i) a one-year initial term (subject to automatic annual one-year renewal unless either party provides at least 60 days' notice of non-renewal); (ii) annual base salary (equal to \$745,000, \$385,000 and \$425,000 for Mr. Rich, Mr. Sumruld and Mr. Duplantier, respectively); and (iii) a target annual bonus opportunity equal to 75% (or 100% for Mr. Rich) of the annual base salary. Prior to March 26, 2019, Mr. Rich's, Mr. Sumruld's and Mr. Duplantier's annual base salary was \$650,000, \$375,000 and \$400,000, respectively. Each of these employment agreements subject the applicable executive to: (x) a perpetual duty of confidentiality; (y) a two-year post-termination (a) non-disparagement covenant and (b) non-solicitation covenant with respect to employees, consultants, officers, or directors; and (z) a one-year post-termination (a) non-solicitation covenant with respect to the customers, contractors and consultants and (b) non-competition covenant. These employment agreements also entitle the executive to payments and benefits in connection with the executive's qualifying termination of employment as described below.

Separation Agreement

On July 11, 2019, Mr. Rich entered into the Separation Agreement, which replaced and superseded his employment agreement. Pursuant to the Separation Agreement, Mr. Rich continued to serve as our President and Chief Executive Officer from July 11, 2019 until he retired from these positions and any other positions or offices he held with the Company and/or any of its subsidiaries or affiliates, on December 31, 2019 and he remained eligible to receive an annual base salary equal to \$745,000 during the period between July 11, 2019 and December 31, 2019. He is no longer eligible to receive an annual bonus with respect to 2019. Under the Separation Agreement, Mr. Rich remains subject to (i) a perpetual duty of confidentiality; (ii) a two-year post-termination (a) non-disparagement covenant and (b) non-solicitation covenant with respect to employees, consultants, officers, or directors; and (iii) a one-year post-termination (a) non-solicitation covenant with respect to the customers, contractors and consultants and (b) non-competition covenant. The Separation Agreement also entitled Mr. Rich to payments and benefits upon his qualifying termination of employment as described below.

Incentive Plans and Awards

2018 Annual Incentive Cash Compensation Plan

On June 21, 2018, the Board adopted the 2018 Plan, effective as of July 1, 2018, under which certain executives, including the named executive officers, earned quarterly cash performance bonus (a "Quarterly Bonus") with respect to July 1, 2018 through September 30, 2018 (the "First Quarter"), October 1, 2018 through December 31, 2018 (the "Second Quarter") and January 1, 2019 through March 31, 2019 (the "Third Quarter" and together with the First and Second Quarters, the "Quarters"). The quarterly target bonus of each of the named executive officers was as follows: \$734,500 for Mr. Rich; \$243,750 for Mr. Sumruld; and \$260,000 for Mr. Duplantier. The 2018 Plan was administered by the Compensation Committee.

The following Quarterly Bonus amount was paid to each of Mr. Rich, Mr. Sumruld and Mr. Duplantier, respectively, on October 26, 2018, with respect to the First Quarter based on 126.1% achievement of the target performance goals: \$926,205, \$307,369 and \$327,860. The following Quarterly Bonus amount was paid to each of Mr. Rich, Mr. Sumruld and Mr. Duplantier, respectively, on December 10, 2018 prior to the end of the Second Quarter, with respect to the Second Quarter based on 100% achievement of the target performance goals: \$734,500, \$243,750 and \$260,000. In January 2019, performance with respect to the Second Quarter was calculated and determined to be at 88% of target, as opposed to 100% of target. We recouped the following amounts from each of the named executive officers on May 1, 2019 with respect to the Quarterly Bonus for the Second Quarter by reducing the Quarterly Bonuses payable with respect to the Third Quarter by such amounts: \$88,140 from Mr. Rich (such that his aggregate Quarterly Bonus for the Second Quarter would have been \$646,360); \$29,250 from Mr. Sumruld (such that his aggregate Quarterly Bonus for the Second Quarter would have been \$214,500); and \$31,200 from Mr. Duplantier (such that his aggregate Quarterly Bonus for the Second Quarter would have been \$228,800). The following Quarterly Bonus amount was paid to each of Mr. Rich, Mr. Sumruld and Mr. Duplantier, respectively, on May 1, 2019, with respect to the Third Quarter based on 128.7% achievement of the target performance goals: \$857,162 for Mr. Rich, \$284,456 for Mr. Sumruld, and \$303,420 for Mr. Duplantier (after recouping the overpayment from the Second Quarter).

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The 2018 Plan also provided that the executives were eligible to earn a Quarterly Bonus with respect to April 1, 2019 through June 30, 2019 (the “Fourth Quarter Bonus”) and for certain catch-up bonuses with respect to each Quarter following the First Quarter (the “Cumulative Bonus”); however, the Fourth Quarter Bonus was forfeited and canceled, effective as of March 26, 2019, and no Cumulative Bonuses were paid.

The 2018 Plan also entitled the named executive officers to certain payments in connection with the executive’s qualifying termination of employment. These provisions no longer applied after the payment of the Third Quarter Bonus.

2018 Incentive Compensation Plan

In connection with the implementation of the 2018 Plan and the achievement of certain performance goals with respect to the first 6 months of the 2018 fiscal year, effective as of June 30, 2018, the Board terminated any additional payments to be paid with respect to 2018 under our 2018 ICP and approved the payment of pro-rated incentive compensation awards to participants in the plan, including each of the named executive officers at target levels (100% of annual base salary for Mr. Rich; and 75% of annual base salary for each of Mr. Sumruld and Mr. Duplantier). On July 19, 2018, the following pro-rated incentive compensation awards were paid to the named executive officers: \$325,000 for Mr. Rich; \$140,625 for Mr. Sumruld; and \$150,000 for Mr. Duplantier.

2019 Incentive Compensation Plan

The Compensation Committee implemented the 2019 ICP on July 11, 2019 under which each of Mr. Sumruld and Duplantier was eligible to receive a pro-rated annual bonus with respect to 9 months of service in 2019. On or about March 15, 2020, it is expected that each of Mr. Sumruld and Duplantier will be paid an annual bonus equal to \$237,786 and \$242,410, respectively.

2010 Long-Term Incentive Plan and Award Agreements

The Board and our stockholders approved the 2010 Plan on May 10, 2016 under which awards of RSUs, time-based PhSUs, PCUs and performance-based PhPSUs (collectively, the “Old Equity Awards”) were granted to the named executive officers pursuant to the terms and conditions of an award agreement. Effective as of March 26, 2019, no additional awards were to be granted under the plan. Pursuant to the Plan confirmed by the Bankruptcy Court, the Old Equity Awards were canceled and/or settled in March 2019 as further described below (the “Old Equity Award Cancellation and/or Settlement”).

Prior to the Old Equity Award Cancellation and/or Settlement, the RSUs and time-based PhSUs granted under the 2010 Plan vested in three equal installments on each of the first three anniversaries of the date of grant, subject to the executive’s continued employment on the applicable vesting date, and were generally settled within 60 days of such vesting date with shares of our common stock for the RSUs or with a cash payment based on the per share closing price on the trading date prior to the vesting date for the time-based PhSUs. Notwithstanding the foregoing, (x) in the event the executive was involuntarily terminated by us without “cause” (other than due to retirement, death or disability and as defined in the award agreement), such awards would have vested on a pro rata basis, (y) in the event of the executive satisfied the eligibility requirements for retirement, such awards would have vested on a pro rata basis and any remaining unvested awards would have continued to vest until the earlier of the next vesting date or the termination of the executive’s employment; and (z) in the event of the executive’s termination due to disability or death, such awards would have vested in full. In addition, in the event of a “change in control” (as defined in the 2010 Plan) and the executive’s employment was involuntarily terminated without “cause” (other than due to retirement, death or disability) within two years following such “change in control,” such awards would have also vested in full.

Prior to the Old Equity Award Cancellation and/or Settlement, the PCUs and performance-based PhPSUs granted under the 2010 Plan were to vest at the end of a three-year performance period, subject to the executive’s continued employment at such date and (ii) the achievement of certain performance criteria; and were generally to be settled within 60 or 75 days, with a cash payment based on the number of vested awards times the product of (a) \$100 (or, for the performance-based PhPSUs, the average closing price per share for the immediately preceding 20 trading days before the end of the Performance Period on December 31st) and (b) the award multiplier for the level of achievement of the performance criterion (target was 1.00, threshold was 0.25 and maximum was 2.00 or 2.50 for the performance-based PhPSUs). Notwithstanding the foregoing, (x) in the event of the executive’s termination of employment due to death or disability during the performance period or (y) in the event of a “change in control” during the performance period and the executive’s employment was involuntarily terminated by us without “cause” (other than due to death, disability or retirement) within two years following the “change in control” and during the performance period, then such awards would have vested at the 1.0 multiplier level.

Old Equity Award Cancellation and/or Settlement

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Pursuant to the Plan confirmed by the Bankruptcy Court, the Old Equity Awards were canceled and/or settled in March 2019. At that time, the invested performance-based PhPSUs granted in 2017 and 2018 under the 2010 Plan and award agreements were forfeited and canceled for no consideration; and unvested RSUs and time-based PhSUs granted under the 2010 Plan and award agreements were canceled and cashed out at a per share price of \$0.33. On March 13, 2019, each of Mr. Rich, Mr. Sumruld and Mr. Duplantier received a cash payment with respect to these unvested RSUs and time-based PhSUs equal to \$29,217, \$9,964 and \$12,463, respectively. The vesting of the PCUs granted to Mr. Rich and Mr. Duplantier in 2017, and to each of the named executive officers in 2018 was accelerated and such PCUs were paid out on March 18, 2019. Each of Mr. Rich, Mr. Sumruld and Mr. Duplantier received the following payments with respect to the PCUs granted in 2018, respectively: \$68,640, \$17,340, and \$18,500. Each of Mr. Rich and Duplantier received the following payments with respect to the PCUs granted in 2017, respectively: \$186,973 and \$60,125. PCUs granted in 2017 were paid out at 32.5% of target, based on the achievement of the first one and two year performance periods, and those granted in 2018 were paid out at 10% of target, based on the achievement of the first one-year performance period.

The performance period for the performance-based PhPSUs and PCUs granted in 2016 expired on December 31, 2018 and these awards were settled with cash payments on March 6, 2019 of \$12,718 and \$3,964 to each of Mr. Rich and Mr. Duplantier, respectively, with respect to the performance-based PhPSUs and \$532,153 and \$165,853 to each of Mr. Rich and Mr. Duplantier, respectively, with respect to PCUs. The amount paid with respect to the performance-based PhPSUs represent the Compensation Committee-approved payouts of the performance-based PhPSUs at 0.695% of target, reflecting our total shareholder return over the three-year performance period, 2016-2018 and determined using the average closing price per share for the 20 trading days immediately preceding December 31, 2018 equal to \$0.70. The amount paid with respect to the PCUs represent the Compensation Committee-approved payouts of the PCUs at 92.5% of target, reflecting our relative ROCE performance versus our peer group over the three-year performance period, 2016-2018.

2019 Long-Term Incentive Plan

Effective as of March 26, 2019, the Board adopted the 2019 LTIP under which awards of non-statutory stock options (the “stock options”), stock appreciation rights (the “SARs”), restricted stock and other stock- or cash-based awards may be made to prospective and current employees and non-employee members of the Board. The purpose of the 2019 LTIP is to foster and promote our long-term financial success and to increase stockholder value. A summary description of the material features of the 2019 LTIP is set forth below. The following summary does not purport to be a complete description of all the provisions of the 2019 LTIP and is qualified in its entirety by reference to the 2019 LTIP.

Administration. The 2019 LTIP is administered by the Compensation Committee. The Compensation Committee shall have full power and authority to, among other things: (i) select plan award recipients; (ii) determine the type of awards to be granted; (iii) determine the number of shares to be covered by each award; (iv) determine the terms and conditions of awards; (v) interpret and administer the plan and any award agreement; (vi) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the plan; and (xi) make any other determination and take any other action that the Compensation Committee deems necessary or desirable for administration of the Plan. Awards to any non-employee Board member shall be reviewed and approved by the Board (which functions as the Compensation Committee for this purpose).

Share Reserve. The shares authorized for grant under the 2019 LTIP shall equal 1,487,905, subject to adjustment. The following shares shall not be added to the shares authorized for grant: (i) shares tendered by the grantee or withheld by us in payment of the exercise price of a stock option; (ii) shares subject to a SAR that are not issued in connection with its stock settlement on exercise thereof, and (iii) shares reacquired by us on the open market or otherwise using cash proceeds from the exercise of stock options. The aggregate grant date fair value of awards to a non-employee Board member in any calendar year shall not exceed \$500,000, subject to adjustment in accordance.

Transferability. In general, no award and no shares subject to an award that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered.

No Stockholder Rights. Except as otherwise provided for grants of restricted stock, a grantee will have no rights as a stockholder with respect to any shares until the issuance of evidence of ownership for such shares.

Adjustments. In the event of any subdivision or consolidation of outstanding shares, declaration of a dividend payable in shares or other stock split, any other recapitalization or capital reorganization, any consolidation or merger with another corporation or entity, our adoption of any plan of exchange affecting the common stock or any distribution to holders of the common stock of cash, securities or property (other than normal cash dividends or dividends payable in common stock), then (i)

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the number of shares available for issuance under the 2019 LTIP, (ii) the number of shares covered by outstanding awards, (iii) the exercise price in respect of such awards, and (iv) the appropriate “fair market value” for such awards shall each be proportionately adjusted by the Compensation Committee to reflect such transaction. In connection with a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation (including a “change in control” as defined in the 2019 LTIP), the Compensation Committee may make such adjustments to awards or other provisions for the disposition of awards as it deems equitable, and shall be authorized, in its discretion, to (i) provide for the substitution or the assumption of the award, (ii) provide for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the award and, if the transaction is a cash merger, provide for the termination of any portion of the award that remains unexercised at the time of such transaction, (iii) provide for the acceleration of the vesting and exercisability of an award and the cancelation or settlement thereof in exchange for such payment as the Compensation Committee determines is a reasonable approximation of the value thereof, (iv) cancel any awards and direct us to deliver to the individuals who are the holders of such awards cash in an amount that the Compensation Committee shall determine is equal to the “fair market value” of such awards as of the date of such event, or (v) cancel stock options and give the individuals who are the holders of such stock options notice and opportunity to exercise prior to such cancelation.

Amendment and Termination. The Board may amend, modify, suspend or terminate the plan (and the Compensation Committee may amend or modify an award agreement), except that: (i) no amendment or alteration that would adversely affect the rights of any grantee in any material way under any award previously granted to such grantee shall be made without the consent of such grantee; and (ii) no amendment or alteration shall be effective prior to its approval by our stockholders to the extent stockholder approval is otherwise required by applicable legal requirements or the requirements of the securities exchange on which the common stock is listed.

Clawback. Awards under the plan are subject to forfeiture or clawback to the extent required by applicable law, government regulation or stock exchange listing requirement.

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2019 LTIP Award Agreements

On March 26, 2019, the following number of RSUs and stock options were granted under the terms and conditions of the 2019 LTIP and award agreement to each of the name executive officers: (i) 148,222 RSUs and 222,333 stock options for Mr. Rich; (ii) 39,798 RSUs and 59,698 stock options for Mr. Sumruld; and (iii) 43,932 RSUs and 65,898 stock options for Mr. Duplantier. The stock options were granted at an exercise price equal to \$23 per share. On February 21, 2020, the RSU award agreement with each of Mr. Sumruld and Mr. Duplantier was amended and restated to provide that one-half of the RSUs granted thereunder would be converted into awards of phantom shares that are settled after vesting in a cash payment equal to the fair market value of the shares of common stock underlying the vested phantom shares and the remaining one-half of the RSUs would remain RSUs that after vesting that are settled in shares of common stock underlying the vested RSUs (unless settlement is due to the executive's death in which case the vested RSUs will be settled in a cash payment equal to the fair market value of the underlying shares of common stock). The RSUs and phantom shares vest in equal installments on each of March 26, 2020, March 26, 2021 and March 26, 2022, subject to the executive's continued employment on the applicable vesting date. The vested stock options become exercisable on the vesting date; and the vested RSUs will be settled within 10 days after the vesting date. Such awards also have special vesting provisions in connection with the executive's qualifying termination of employment or the occurrence of a "change in control" (as defined in the 2019 LTIP) as described below.

The terms and conditions of the RSUs and stock options granted to Mr. Rich were amended under the terms and conditions of the Separation Agreement as further described below.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity awards held by each of our named executive officers as of December 31, 2019.

(a)	Option Awards ⁽¹⁾			Stock Awards ⁽²⁾		
	(b)	(c)	(d)	(e)	(f)	(g)
Name	Number of Securities Underlying Unexercised Options: Exercisable	Number of Securities Underlying Unexercised Options: Unexercisable	Option Exercise Price	Option Expiration Date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested ⁽³⁾
Gary Rich	74,111	—	\$ 23.0	3/26/2024		
Michael Sumruld	—	59,698	\$ 23.0	3/26/2029	39,798	\$ 895,455
Jon-Al Duplantier	—	65,898	\$ 23.0	3/26/2029	43,932	\$ 988,470

- (1) On March 26, 2019, Mr. Rich was granted 222,333 stock options, Mr. Sumruld was granted 59,698 stock options, and Mr. Duplantier was granted 65,898 stock options, which vest and become exercisable in substantially equal installments on each of March 26, 2020, March 26, 2021 and March 26, 2022, subject to the executive's continued employment on the applicable vesting date; provided, that, pursuant to the Separation Agreement, subject to his execution of a release of claims, upon Mr. Rich's termination of employment on December 31, 2019, 74,111 of the stock options granted to him vested and became exercisable and the remaining stock options granted to him were forfeited and canceled for no consideration.
- (2) On March 26, 2019, Mr. Rich was granted 148,222 RSUs, Mr. Sumruld was granted 39,798 RSUs, and Mr. Duplantier was granted 43,932 RSUs, which vest in substantially equal installments on each of March 26, 2020, March 26, 2021 and March 26, 2022, subject to the executive's continued employment on the applicable vesting date and the vested RSUs will be settled in shares within 10 days after the vesting date. Notwithstanding the foregoing, (x) pursuant to the Separation Agreement, subject to his execution of a release of claims, upon Mr. Rich's termination of employment on December 31, 2019, 49,407 of the RSUs granted to him vested, 24,704 of such vested RSUs were converted into vested phantom shares which are settled in a cash payment equal to the fair market value of the underlying shares of common stock and the remaining RSUs granted to him were forfeited and canceled for no consideration and (y) pursuant to an amendment and restatement of the RSU award agreement with each of Mr. Sumruld and Mr. Duplantier, dated February 21, 2020, one-half of the RSUs awarded to each executive under the 2019 LTIP and such award agreement were converted into phantom shares.

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- (3) The market value used to determine the values in column (g) is based on the closing market price of our common stock on December 31, 2019 of \$22.50 per share.

Pension Benefits and Nonqualified Deferred Compensation

None of our named executive officers participates in any defined benefit pension plan or nonqualified deferred compensation plan that we contribute to, sponsor or maintain. We sponsor a defined contribution 401(k) Plan in which substantially all U.S. employees (including the named executive officers) are eligible to participate. During 2019 and 2018, the Company matched 25.0 percent of each participant's pre-tax contributions in an amount not exceeding 6.0 percent of the participant's compensation, up to the maximum amount of contributions allowed by law. Starting January 2020, the Company will match 100.0 percent of each participant's pre-tax contributions in an amount not exceeding 5.0 percent of the participant's compensation. 401(k) Plan participants hired prior to July 2017 become 100.0 percent vested immediately in the Company's matching contributions, and 401(k) Plan participants hired after July 2017 become vested on a pro-rata basis over three years.

Potential Payments Upon a Termination or Change in Control

Employment and Separation Agreements

Employment Agreements

Effective as of March 26, 2019, we entered into an employment agreement with each of the named executive officers. Effective as of July 11, 2019, Mr. Rich's Separation Agreement, which is described below, superseded and replaced his employment agreement. Under each of the employment agreements, in the event of our termination of the executive without "cause" (other than due to death or disability and as defined below) or due to non-renewal of the employment agreement, or a resignation by the executive for "good reason" (as defined below) the executive is entitled to receive: (i) a lump sum payment equal to the sum of the executive's annual base salary and target bonus, multiplied by the "severance multiple" (as defined below) (the "severance payment"); (ii) a lump sum pro-rata annual bonus payment for the year of termination based on actual performance through the date of termination; (iii) if the termination occurs after the end of the fiscal year, a lump sum payment for any earned but unpaid annual bonus for the year prior to the year of termination; and (iv) a lump sum payment of the executive's (and eligible dependents') health care continuation premiums for the number of years equal to the severance multiple. During the 18-month period following a "change in control" (as defined in the 2019 LTIP), the "severance multiple" to determine the severance payment amount applicable is two (or three for Mr. Rich, which applied prior to Mr. Rich entering into the Separation Agreement); otherwise the "severance multiple" applicable is one and one-half (or two for Mr. Rich, which applied prior Mr. Rich entering into the Separation Agreement).

For purposes of the new employment agreements, "cause" generally means: (i) the refusal to perform the executive's material job duties that continues after written notice from us; (ii) the executive's material violation of our material policy that causes, or is reasonably likely to cause, material harm to our business or reputation of that is not cured within 15 days of written notice from us; (iii) the executive's willful misconduct in the course of the executive's duties that causes, or is reasonably likely to cause, material harm to our business or reputation; (iv) the executive's conviction of a felony; or (v) the executive's material breach of any of any restrictive covenants.

For purposes of the new employment agreements, "good reason" generally means the occurrence of any of the following events or conditions without the executive's express written consent: (i) a material diminution in the executive's titles, duties or authorities; (ii) a material diminution in the executive's annual base salary or annual incentive cash compensation target amount; (iii) our material violation of the employment agreement; or (iv) a relocation of the executive's primary office location by more than 50 miles if such relocation materially increases the executive's commute.

Separation Agreement

Under the Separation Agreement, which superseded and replaced his employment agreement, subject to his execution of release of claims, Mr. Rich was entitled to receive the following separation benefits in the event of his termination by the Company without "cause" (as generally defined above) (other than due to death or disability) prior to December 31, 2019 or (ii) Mr. Rich's employment terminated as a result of the expiration of the term on December 31, 2019: (i) a cash payment equal to \$1.5 million (representing his base salary and 2019 target bonus) (the "Severance Payment"); (ii) if the termination occurred prior to December 31, 2019, a cash payment of the pro-rata portion of the current base salary which he would have earned from the date of termination through and including December 31, 2019 (the "Pro-Rata Payment"); and (iii) a cash payment for 12 months of Mr. Rich's (and his eligible dependents') health care continuation premiums (the "COBRA Benefit"). Mr. Rich was

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paid the Severance Payment and the COBRA Benefit on February 29, 2020, but as he was terminated on December 31, 2019, was not entitled to receive any Pro-Rata Payment.

In addition, under the Separation Agreement, if within 6 months of such termination, the Company enters into a binding transaction agreement to merge or consolidate the Company into or with another person or entity (other than Brigade Capital Management, LP, Värde Partners, Inc. and/or any of their respective affiliates), in which the stockholders, immediately prior to such transaction would own, in the aggregate, less than 50% of the total combined voting power of all classes of capital stock of the surviving entity entitled to vote for the election of directors of the surviving entity so long as such transaction is consummated, Mr. Rich shall receive a lump sum cash payment of \$1.5 million within 30 days following the consummation of the transaction.

The Separation Agreement amended the terms of the stock options and RSUs awarded to Mr. Rich under the terms and conditions of the 2019 Plan and an award agreement to provide that, subject to his execution of a release of claims, one-third of each of such stock options and RSUs vested (and one-half of the vested RSUs were converted into vested phantom shares that are settled in a cash payment equal to the fair market value of the shares of common stock underlying the vested phantom shares) on the date of his termination without “cause” (other than due to death or disability) prior to December 31, 2019 or his termination as a result of the expiration of the term on December 31, 2019 and the stock options were exercisable until March 26, 2024, and the remaining unvested stock options and RSUs were forfeited and canceled for no consideration. Subject to his execution of a release of claims, on December 31, 2019, the date of his termination of employment, 74,111 stock options vested and became exercisable and 49,407 RSUs vested, 24,704 of such vested RSUs were converted into vested phantom shares and the remaining stock options and RSUs were forfeited and canceled for no consideration.

2019 LTIP Award Agreements

Under the 2019 LTIP award agreements, the stock options, the RSUs and phantom shares vest in full upon the occurrence of a “change in control” (as defined in the 2019 LTIP). In the event of the termination of the executive due to death, disability, involuntarily by us without “cause” (as defined above) or voluntarily by the executive due to “good reason” (as defined above), the next tranche of the stock options, RSUs and phantom shares due to vest on the next vesting date will vest and, with respect to the stock options, the vested portion of the stock options will remain exercisable until the later of (i) five years after the date of grant and (ii) two years after such termination. If the executive’s employment is terminated for any other reason, then the executive shall immediately forfeit for the outstanding unvested stock options, RSUs and phantom shares as of such date.

The terms of the stock options and RSUs granted to Mr. Rich under the 2019 Plan and an award agreement on March 26, 2019 were amended under the terms and conditions of the Separation Agreement as described above.

Director Compensation Table For Fiscal Year 2019

The following table summarizes the total compensation for each member of the Board during the 2019 fiscal year, who is not also a named executive officer, for services rendered during the fiscal year ended December 31, 2019. Mr. Rich did not receive any compensation for his service on the Board in respect of 2019, and Jonathan M. Clarkson, Peter T. Fontana, Gary R. King, Robert L. Parker Jr. and Richard D. Paterson (collectively, the “Old Board Members”) resigned from the Board on March 26, 2019, and did not receive any compensation from the Company during or in respect of 2019.

Each of the non-employee members of the Board other than the Old Board Members were paid fees with respect to his service on the Board and/or any committees of the Board in 2019, which were paid quarterly.

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Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	Total
Eugene Davis	\$ 137,959	\$ 426,674	\$ 564,633
Patrick Bartels	\$ 82,192	\$ 304,778	\$ 386,970
Michael Faust	\$ 65,147	\$ 304,778	\$ 369,925
Barry McMahan	\$ 68,979	\$ 304,778	\$ 373,757
Zaki Selim	\$ 65,147	\$ 304,778	\$ 369,925
Spencer L. Wells	\$ 84,308	\$ 304,778	\$ 389,086
Jonathan M. Clarkson	\$ —	\$ —	\$ —
Peter T. Fontana	\$ —	\$ —	\$ —
Gary R. King	\$ —	\$ —	\$ —
Robert L. Parker Jr.	\$ —	\$ —	\$ —
Richard D. Paterson	\$ —	\$ —	\$ —
Total	\$ 503,732	\$ 1,950,564	\$ 2,454,296

(1) The amounts in this column represent the aggregate grant date fair value of the RSUs and/or phantom shares granted to each of the members of the Board other than the Old Board Members on November 4, 2019, calculated in accordance with FASB. On November 4, 2019, Mr. Davis was granted 22,269 RSUs, Mr. Bartels was granted 15,907 RSUs, Mr. Faust was granted 15,907 RSUs, Mr. McMahan was granted 7,953 RSUs and 7,954 phantom shares, Mr. Wells was granted 7,953 RSUs and 7,954 phantom shares and Mr. Selim was granted 7,953 RSUs and 7,954 phantom shares, in each case, under the terms and conditions of the 2019 LTIP and an award agreement.

For additional information relating to assumptions made by the Company in valuing the awards, see Note 13 - Stockholders' Equity to our consolidated financial statements included elsewhere in this Form 10-K.

2019 LTIP Award Agreements

On November 4, 2019, Mr. Davis was granted 22,269 RSUs, Mr. Bartels was granted 15,907 RSUs, Mr. Faust was granted 15,907 RSUs, Mr. McMahan was granted 7,953 RSUs and 7,954 phantom shares, Mr. Wells was granted 7,953 RSUs and 7,954 phantom shares and Mr. Selim was granted 7,953 RSUs and 7,954 phantom shares, each, under the terms and conditions of the 2019 LTIP and an award agreement.

Such awards vest in equal installments on each of March 26, 2020, March 26, 2021 and March 26, 2022 or in full upon the occurrence of a "change in control" (as defined in the 2019 LTIP), subject to the director's continued service on the applicable vesting date; provided, that, if (x) the director's service as a member of the Board is involuntarily terminated other than for cause or due to disability or (y) in the event of the director's death, any RSUs or phantom shares that have not vested as of the date of such termination or death shall vest in full. In the event of the director's termination of service by the director as a member of the Board for any reason prior to a vesting date, the director shall retain all RSUs and phantom shares that have vested as of the date of such termination and director shall forfeit all unvested RSUs and phantom shares as of the date of such termination. In the event of the director's termination of service as a member of the Board for cause, the director shall forfeit all unvested and vested RSUs and phantom as of the date of such termination.

The vested RSUs shall be settled in shares of common stock and the vested phantom shares shall be settled in a cash payment equal to the fair market value of the shares of common stock upon the earlier to occur of a (i) "change in control", (ii) the date of the director's termination of service as a member of the Board other than for cause, (iii) the date of the director's death, or (iv) the date that is the 7th anniversary of the grant date; provided, that, in the event of the director's death, the vested phantom shares and vested RSUs shall be settled in a cash payment equal to the fair market value of the shares of common stock.

Expense Reimbursements

Board members were also reimbursed for their travel expenses incurred in connection with attendance at Board and committee meetings and for Board education programs during 2019. Such reimbursements amounts are not included in the table above.

Item 12. Security Ownership of Certain Beneficial Owners, Management and Related Stockholder Matters

Security Ownership Of Certain Beneficial Owners And Management

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Except as noted otherwise, the following table sets forth information concerning beneficial ownership of the Company's common stock as of February 28, 2020, based on 15,044,676 shares issued and outstanding on such date, by (a) all persons known by the Company to be beneficial owners of more than five percent (5%) of such stock, (b) each director of the Company, (c) each of the executive officers of the Company, including those named in the Summary Compensation Table, and (d) all directors and the executive officers as a group. Unless otherwise noted, the persons named below have sole voting and investment power with respect to such shares. The address for each officer and Director is in care of Parker Drilling Company, 5 Greenway Plaza, Suite 100, Houston, Texas 77046.

Amount And Nature Of Shares Beneficially Owned

Name	Shares Owned (#) ⁽¹⁾	Percentage Of Outstanding Shares
Värde Partners, Inc.	6,686,144 ⁽²⁾	44.44%
Brigade Capital Management, LP	3,135,016 ⁽³⁾	20.84%
Highbridge Capital Management, LLC	1,489,423 ⁽⁴⁾	9.90%
Gary G. Rich	121,059	*
Jon-Al Duplantier	36,773	*
Michael W. Sumruld	27,408	*
Bryan Collins	25,927	*
Jennifer F. Simons	20,975	*
Eugene Davis	7,423	*
Patrick Bartels	5,302	*
Michael Faust	5,302	*
Barry L. McMahan	2,651	*
Zaki Selim	2,651	*
L. Spencer Wells	2,651	*
Directors and executive officers as a group (11 persons)	258,122	1.72%

* Less than 1%

- (1) Includes shares for which the person has sole voting and investment power, or has shared voting and investment power with his/her spouse. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of New Common Stock subject to options or warrants currently exercisable or exercisable within 60 days after February 28, 2020 are deemed outstanding by such person, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Restricted stock units and options held by executive officers are not currently or within 60 days following February 28, 2020 vested or exercisable and are not included.
- (2) Based on information obtained from a Schedule 13D/A filed jointly on February 20, 2020, by The Värde Skyway Master Fund, L.P. ("Master Skyway Fund"), The Värde Skyway Fund G.P., LLC ("Skyway Fund GP"), The Värde Skyway Fund UGP, LLC ("Skyway UGP"), Värde Investment Partners (Offshore) Master, L.P. ("VIP Offshore"), Värde Investment Partners, L.P. ("VIP"), Värde Investment Partners G.P., L.P. ("VIP GP"), Värde Investment Partners UGP, LLC ("Investment UGP"), Värde Credit Partners Master, L.P. ("VCPM"), Värde Credit Partners G.P., L.P. ("VCPM GP"), Värde Credit Partners UGP, LLC ("VCPM UGP"), Värde Credit Partners G.P., L.P. ("VCPM GP"), Värde Partners, L.P. ("Managing Member"), Värde Partners, Inc. ("General Partner"), Mr. George Hicks ("Mr. Hicks") and Mr. Ilfryn C. Carstairs ("Mr. Carstairs" and together with Master Skyway Fund, Skyway Fund GP, Skyway UGP, VIP Offshore, VIP, VIP GP, Investment UGP, VCPM, VCPM GP, VCPM UGP, Managing Member, General Partner and Mr. Hicks, the "Värde Persons"). Master Skyway Fund directly holds 1,233,731 shares of common stock. Skyway Fund GP is the general partner of Master Skyway Fund and Skyway UGP is the general partner of Skyway Fund GP. VIP Offshore directly holds 1,505,570 shares of common stock and VIP directly holds 1,911,457 shares of common stock. VIP GP is the general partner of VIP Offshore and VIP. Investment UGP is the general partner of VIP GP. VCPM directly holds 2,035,386 shares of common stock. VCPM GP is the general partner of VCPM and VCPM UGP is the general partner of VCPM GP. The Managing Member is the managing member of Skyway Fund GP, VIP GP and VCPM GP. The General Partner is the general partner of the Managing Member. Mr. Hicks and Mr. Ilfryn are each the co-Chief Executive Officer of the General Partner. Each of Mr. Hicks, Mr. Ilfryn, the Managing Member and the General Partner may be deemed to beneficially own the common stock held by the other Värde Persons. Each such Värde Person may be deemed to

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beneficially own the common stock beneficially owned by the Värde Persons directly or indirectly controlled by it or him, but neither this filing nor any of its contents shall be deemed to constitute an admission that any Värde Person (other than Master Skyway Fund, VIP Offshore, VIP and VCPM and their respective general partners, to the extent they directly hold shares of common stock) is the beneficial owner of common stock referred to herein for purposes of Section 13(d) of the Exchange Act, or for any other purpose and each of the Reporting Persons expressly disclaims beneficial ownership of such shares of common stock. The business address of each of the Värde Persons is 901 Marquette Ave S., Suite 3300, Minneapolis, MN 55402.

- (3) Based on information obtained on February 28, 2020 from Brigade Capital Management, LP (“Brigade CM”), Brigade Capital Management GP, LLC (“Brigade GP”), Brigade Leveraged Capital Structures Fund Ltd. (“Brigade LCSF”), Brigade Energy Opportunities Fund LP (“Brigade EOF”), Brigade Capital GP, LLC (“Brigade EOF GP”), and Donald E. Morgan, III (“Mr. Morgan” and together with Brigade CM, Brigade GP, Brigade LCSF, Brigade EOF and Brigade EOF GP, the “Brigade Persons”) and information provided by Brigade as of February 28, 2020. The shares of common stock reported as beneficially owned are directly held by Brigade LCSF (716,234 shares of common stock, including 15,885 shares of common stock issuable upon exercise of warrants), Brigade EOF (862,506 shares of common stock, including 82,723 shares of common stock issuable upon exercise of warrants) and other private investment funds and accounts managed by Brigade CM (1,556,276 shares of common stock, including 41,497 shares of common stock issuable upon exercise of warrants). Brigade EOF GP is the general partner of Brigade EOF. Brigade CM is the investment manager of Brigade LCSF and Brigade EOF. Brigade GP is the general partner of Brigade CM. Mr. Morgan is the managing member of Brigade GP, a director of Brigade LCSF and the managing member of Brigade EOF GP. Brigade CM has the shared power to vote and dispose of 3,135,016 shares of common stock; Brigade GP has the shared power to vote and dispose of 3,135,016 shares of common stock; Brigade LCSF has the shared power to vote and dispose of 716,234 shares of common stock; Brigade EOF has the shared power to vote and dispose of 862,506 shares of common stock; Brigade EOF GP has the shared power to vote and dispose of 862,506 shares of common stock; and Mr. Morgan has the shared power to vote and dispose of 3,135,016 shares of common stock. The business address of the Brigade Persons other than Brigade LCSF is 399 Park Avenue, 16th Floor, New York, NY 10022. The business address of Brigade LCSF is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
- (4) Based on information obtained from a Schedule 13G/A jointly filed on January 21, 2020 by Highbridge Capital Management LLC (“HCM”) and Highbridge Tactical Credit Master Fund, L.P. (“Highbridge Tactical” and together with HCM, the “Highbridge Funds”). The 3,540,370 shares of common stock (including 2,660,828 shares of common stock and shares of common stock issuable upon exercise of warrants to purchase 1,279,770 shares of common stock subject to a 9.90% blocker) reported as beneficially owned are held directly by HCM (1,549,988 shares of common stock and shares of common stock issuable upon exercise of warrants to purchase 639,885 shares of common stock subject to a 9.90% blocker) and Highbridge Tactical (1,110,840 shares of common stock and shares of common stock issuable upon exercise of warrants to purchase 639,885 shares of common stock subject to a 9.90% blocker). HCM serves as the trading manager of the Highbridge Tactical and may be deemed to beneficially own the securities held by Highbridge Tactical. Each of the Highbridge Funds disclaims beneficial ownership of the shares held by it. The business address of HCM is 277 Park Avenue, 23rd Floor, New York, NY 10172 and the business address of Highbridge Tactical is c/o Highbridge Capital Management, LLC, 277 Park Avenue, 23rd Floor, New York, NY 10172.

Equity Compensation Plan Information

The following table sets forth information regarding equity compensation plans as of December 31, 2019.

Plan Category	(a) Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights (#) (1)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$) (2)	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities reflected in Column (a)) (#)
Equity compensation plans approved by stockholders	597,090	\$ 23.0	841,408
Equity compensation plans not approved by stockholders	—	\$ —	—
Total	597,090	\$ 23.0	841,408

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- (1) Includes 298,940 shares of Successor Common Stock that could be issued upon the vesting of RSUs granted under the 2019 LTIP and outstanding as of December 31, 2019.
- (2) The weighted average exercise price does not take into account RSUs outstanding as of December 31, 2019.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Transactions with Related Persons

Mr. Peter T. Fontana, a former director of our predecessor who resigned on the Plan Effective Date in accordance with the Plan, owned \$550,000 aggregate principal amount of our 7.50% Senior Notes due 2020 (the “2020 Notes”) and \$650,000 aggregate principal amount of our 6.75% Senior Notes due 2022 (the “2022 Notes”), each of which are no longer outstanding. The Nominating and Corporate Governance Committee previously reviewed these transactions, which all occurred prior to the Plan Effective Date, and determined that the continued ownership of the Company’s senior notes did not present a conflict of interest or otherwise impair the independence of Mr. Fontana, or his ability to render independent judgment under the Corporate Governance Listing Standards of the New York Stock Exchange. This determination was reported to, and previously ratified by, the Board. On the Plan Effective Date, in accordance with the Plan, Mr. Fontana received, as full satisfaction for all claims and interests he had against the Company pursuant to the 2020 Notes, a pro rata share of (i) 2,827,323 shares of our common stock; (ii) 5,178,860 shares of our common stock; (iii) \$92,571,429 of our second lien term loan; (iv) the right to purchase 1,191,087 shares of our common stock that was issued pursuant to the terms of the rights offering; and (v) cash sufficient to satisfy certain expenses owed to the trustee of the 2020 Notes. Mr. Fontana also received, as full satisfaction for all claims and interests he had against the Company pursuant to the 2022 Notes, a pro rata share of (i) 5,178,860 shares of our common stock; (ii) \$117,428,571 of our second lien term loan; (iii) the right to purchase 1,905,739 shares of our common stock that were issued pursuant to the terms of the rights offering; and (iv) cash sufficient to satisfy certain expenses owed to the trustee of the 2022 Notes.

In connection with the rights offering conducted under the Plan, Mr. Rich, our former Chief Executive Officer, purchased 10,536 shares of our common stock for \$158,672.

Second Lien Term Loan Facility

As previously reported, on the Plan Effective Date, pursuant to the terms of the Plan, Parker, as borrower, entered into a second lien term loan credit agreement (the “Second Lien Term Loan Agreement”) with the lenders party thereto (the “Second Lien Lenders”) and UMB Bank, N.A., as administrative agent (in such capacity, the “Second Lien Agent”), providing for term loans (the “Second Lien Term Loan Facility” and, together with the Revolving Credit Facility, the “Credit Facilities”) with initial aggregate commitments in the amount of \$210.0 million. Pursuant to the terms of the Plan, on the Plan Effective Date, the Second Lien Lenders were deemed to have made \$210.0 million in aggregate principal amount of loans under the Second Lien Term Loan Agreement. The Second Lien Lenders include clients, funds and/or accounts of or advised by Värde Partners, L.P., Brigade Capital Management, LP, Highbridge Capital Management, LLC and Whitebox Advisors, LLC. See Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” above.

Registration Rights Agreement

As previously reported, pursuant to the Plan, on the Plan Effective Date, Parker entered into a registration rights agreement (the “Registration Rights Agreement”) with clients, funds and/or accounts of or advised by Värde Partners, Inc., Brigade Capital Management, LP, Highbridge Capital Management, LLC and Whitebox Advisors, LLC. It is anticipated that the Registration Rights Agreement will be amended in connection with our termination of registration under Section 12 of the Exchange Act to reflect our status as a non-reporting company. See Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” above.

Director Independence

See Item 10. Directors, Executive Officers and Corporate Governance.

Item 14. Principal Accounting Fees and Services

Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by KPMG, the Company’s independent registered public accounting firm, for the audit of the Company’s financial statements for the years ended December 31, 2018 and 2019, respectively, and fees billed for other services rendered by KPMG during the same periods.

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	2019	2018
Audit fees ⁽¹⁾	\$ 2,866,426	\$ 2,606,100
Audit related fees ⁽²⁾	\$ 1	\$ 4,950
Tax related fees ⁽³⁾	\$ 445,901	\$ 556,500
Total	<u>\$ 3,312,328</u>	<u>\$ 3,167,550</u>

- (1) Audit fees related to the annual financial statement audit, quarterly reviews of financial statements, statutory audits of foreign subsidiaries, and audits in conjunction with SOX Internal Control requirements.
- (2) Audit related fees are primarily for services not directly related to the Company's annual financial statements, for example, periodic assistance and consultation related to filings with the SEC.
- (3) Tax-related fees for services consisting primarily of assisting Company affiliates in the preparation of foreign tax returns, tax structure review and evaluation, and other tax advice and compliance considerations.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Consistent with SEC rules and regulations regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation, and overseeing the work of the independent accountants. In response to these rules, prior to the Effective Date, the Audit Committee at that time previously established a policy in connection with the pre-approval of all audit and permissible non-audit services provided by the independent accountants. Such services are pre-approved to a specific dollar threshold. All other permitted services, as well as proposed services exceeding such specified dollar thresholds, must be separately approved by the Audit Committee.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

- (1) Consolidated financial statements of Parker Drilling Company and subsidiaries which are included in Part II, Item 8. Financial Statements and Supplementary Data:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	44
Consolidated Statements of Operations	47
Consolidated Statements of Comprehensive Income (Loss)	48
Consolidated Balance Sheets	45
Consolidated Statements of Cash Flows	49
Consolidated Statements of Stockholders' Equity	50
Notes to the Consolidated Financial Statements	51
(2) Financial Statement Schedule:	
Schedule II — Valuation and qualifying accounts	117
(3) Exhibits:	

<u>Exhibit Number</u>	<u>Description</u>
2.1	— Sale and Purchase Agreement, dated April 22, 2013, among ITS Tubular Services (Holdings) Limited, as Seller, Ian David Green, John Bruce Cartwright and Graham Douglas Frost, as joint administrators of the Seller, ITS Holdings, Inc. and PD International Holdings C.V., Parker Drilling Offshore Corporation and Parker Drilling Company (incorporated by reference to Exhibit 2.1 to Parker Drilling Company's Current Report on Form 8-K filed on April 23, 2013).
2.2	— Amended Joint Chapter 11 Plan of Reorganization of Parker Drilling Company and its Debtor Affiliates (incorporated by reference to Exhibit A of the Order Confirming the Amended Joint Chapter 11 Plan of Reorganization, filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on March 11, 2019).
3.1	— Amended and Restated Certificate of Incorporation of the Company, as amended and restated on March 26, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 26, 2019).
3.2	— Amended and Restated By-laws of the Company, as amended and restated as of March 26, 2019 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 26, 2019).
4.1	Description of registrant's securities.
4.2	— Specimen Common Share Certificate (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company on March 26, 2019).
4.3	— Registration Rights Agreement, dated as of March 26, 2019, between Parker Drilling Company and the holders signatory thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 26, 2019).
4.4	— Warrant Agreement, dated as of March 26, 2019, between Parker Drilling Company and Equiniti Trust Company, as Warrant Agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 26, 2019).
10.1	— Credit Agreement, dated March 26, 2019, among Parker Drilling Company, as Parent Borrower, certain Subsidiaries of the Parent Borrower party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other lenders and L/C issuers from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 26, 2019).

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- [10.2](#) — [Second Lien Term Loan Credit Agreement, dated March 26, 2019, among Parker Drilling Company, as Borrower, UMB Bank, N.A., as Administrative Agent, and the other lenders from time to time party thereto \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.3](#) — [Amended and Restated Credit Agreement, dated as of October 8, 2019, among Parker Drilling Company, as borrower, and Bank of America, N.A., as administrative agent, and the lenders and other parties party thereto \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 15, 2019\).](#)
- [10.4](#) — [Parker Drilling Company Form of Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.5](#) — [Parker Drilling Company Form of Restricted Stock Unit Incentive Agreement \(incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.6](#) — [Parker Drilling Company Form of Stock Option Incentive Agreement \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.7](#) — [Employment Agreement between Mr. Gary Rich and Parker Drilling Company, effective March 26, 2019 \(incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.8](#) — [Transition and Separation Agreement by and between Parker Drilling Company, Parker Drilling Management Services Ltd., and Gary Rich, dated July 11, 2019 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 15, 2019\).](#)
- [10.9](#) — [Employment Agreement between Mr. Michael W. Sumruld and Parker Drilling Company, effective March 26, 2019 \(incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.10](#) — [Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 26, 2019 \(incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.11](#) — [Employment Agreement between Mr. Bryan R. Collins and Parker Drilling Company, effective March 26, 2019 \(incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed on March 26, 2019\).](#)
- [10.12](#) — [Restructuring Support Agreement, dated December 12, 2018 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 12, 2018\).](#)
- [10.13](#) — [First Amendment to the Restructuring Support Agreement, dated January 28, 2019 \(incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed on February 2, 2019\).](#)
- [10.14](#) — [Amended and Restated Backstop Commitment Agreement, dated January 28, 2019 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 2, 2019\).](#)
- [10.15](#) — [Indemnification Agreement between Parker Drilling Company, board of directors and executive officers, effective June 13, 2019 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2019\).](#)
- [21](#) — [Subsidiaries of the Registrant.](#)
- [31.1](#) — [Eugene Davis, Chair of Office of the Chief Executive Officer Committee, Rule 13a-14\(a\)/15d-14\(a\) Certification.](#)
- [31.2](#) — [Michael W. Sumruld, Senior Vice President and Chief Financial Officer, Rule 13a-14\(a\)/15d-14\(a\) Certification.](#)

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32.1	—	Eugene Davis, Chair of Office of the Chief Executive Officer Committee, 18 U.S.C. Section 1350 Certification.
32.2	—	Michael W. Sumruld, Senior Vice President and Chief Financial Officer, 18 U.S.C. Section 1350 Certification.
101.INS	—	XBRL Instance Document.
101.SCH	—	XBRL Taxonomy Schema Document.
101.CAL	—	XBRL Calculation Linkbase Document.
101.LAB	—	XBRL Label Linkbase Document.
101.PRE	—	XBRL Presentation Linkbase Document.
101.DEF	—	XBRL Definition Linkbase Document.

* — Management contract, compensatory plan or agreement.

PARKER DRILLING COMPANY AND SUBSIDIARIES

Schedule II—Valuation and Qualifying Accounts

Classifications	Balance at beginning of year	Charged to cost and expenses	Charged to other accounts	Deductions	Balance at end of year
<i>Dollars in Thousands</i>					
Nine Months Ended December 31, 2019 (Successor)					
Allowance for bad debt	\$ —	336	428	(421)	\$ 343
Allowance for obsolete rig materials and supplies	\$ 1	—	—	—	\$ 1
Deferred tax valuation allowance	\$ 87,411	3,706	—	—	\$ 91,117
Three Months Ended March 31, 2019 (Predecessor)					
Allowance for bad debt	\$ 7,767	90	11	(7,868)	\$ —
Allowance for obsolete rig materials and supplies	\$ 1,547	—	—	(1,546)	\$ 1
Deferred tax valuation allowance	\$ 186,267	(98,856)	—	—	\$ 87,411
Year Ended December 31, 2018 (Predecessor)					
Allowance for bad debt	\$ 7,564	309	(47)	(59)	\$ 7,767
Allowance for obsolete rig materials and supplies	\$ 809	1,041	—	(303)	\$ 1,547
Deferred tax valuation allowance	\$ 157,914	28,353	—	—	\$ 186,267

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Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PARKER DRILLING COMPANY

By: /s/ Michael W. Sumruld
Michael W. Sumruld
Senior Vice President and Chief Financial Officer

Date: March 4, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

	<u>Signature</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ Eugene Davis</u> Eugene Davis	Chair of Office of the Chief Executive Officer Committee and Director (Principal Executive Officer)	March 4, 2020
By:	<u>/s/ Michael W. Sumruld</u> Michael W. Sumruld	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 4, 2020
By:	<u>/s/ Nathaniel C. Dockray</u> Nathaniel C. Dockray	Principal Accounting Officer (Principal Accounting Officer)	March 4, 2020
By:	<u>/s/ Patrick Bartels</u> Patrick Bartels	Director	March 4, 2020
By:	<u>/s/ Michael Faust</u> Michael Faust	Director	March 4, 2020
By:	<u>/s/ Barry L. McMahan</u> Barry L. McMahan	Director	March 4, 2020
By:	<u>/s/ L. Spencer Wells</u> L. Spencer Wells	Director	March 4, 2020
By:	<u>/s/ Zaki Selim</u> Zaki Selim	Director	March 4, 2020

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, Parker Drilling Company ("Parker," the "Company," "we," "us," and "our") had one class of common stock, par value \$0.01, registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our amended and restated certificate of incorporation (as amended, the "Certificate of Incorporation") and our amended and restated bylaws (the "Bylaws"), each of which is incorporated herein by reference as an exhibit to the Annual Report on Form 10-K filed with the Securities and Exchange Commission, of which this Exhibit 4.1 is a part. We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL") for additional information.

Authorized Capital Stock

Our Certificate of Incorporation currently authorizes our Board of Directors to issue 500,000,000 shares of common stock, par value \$0.01 per share. As of February 28, 2020, 15,044,676 shares of our common stock were issued and outstanding. There are no redemption or sinking fund provisions applicable to our common stock and the shares of our common stock are not convertible into any of Parker's other securities. All outstanding shares of our common stock are fully paid and non-assessable.

Dividend Rights

The DGCL and our Certificate of Incorporation do not require our Board of Directors to declare dividends on our common stock. Holders of our common stock may receive such dividends as our Board of Directors may declare in its discretion out of legally available funds. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors.

Voting Rights

Our Certificate of Incorporation provides that, except as may otherwise be provided in the Certificate of Incorporation (including any designation relating to any outstanding series of preferred stock) or by applicable law, each holder of shares of common stock, as such, shall be entitled to one vote for each share of common stock held of record by such holder on all matters on which stockholders generally are entitled to vote and the common stock shall have the exclusive right to vote for the election of directors and all other matters properly submitted to a vote of the stockholders. Under our Bylaws, those nominees who, in an election of directors, receive a plurality of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon shall be elected. All other matters properly submitted to a vote of the stockholders shall be decided by the vote of the holders of a majority of the voting power of the shares entitled to vote thereon present in person or by proxy at the meeting, unless otherwise provided by law, rule or regulation, including any stock exchange rule or regulation, applicable to Parker. Holders of our common stock do not possess cumulative voting rights.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of Parker, the holders of our common stock would be entitled to, after payment or provision for payment of all of our debts and liabilities, share equally in all of our assets available for distribution. Holders of our preferred stock, if any such shares are then outstanding, may have a priority over the holders of common stock in the event of any liquidation or dissolution.

Listing

On December 31, 2019, our common stock was traded on the NYSE under the trading symbol "PKD." As described above, on January 29, 2019, Parker filed a Form 25 with the SEC to give the NYSE notice of our intention to voluntarily delist our common stock and withdraw its registration with the SEC. As a result, our common stock was delisted from the NYSE on February 10, 2020 and has ceased trading on the NYSE.

Preferred Stock

Our Board of Directors has the authority, without action by our stockholders, to designate and issue preferred stock in one or more series or classes, with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by our Board of Directors. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of our common stock until our Board of Directors determines the specific rights of the holders of the preferred stock. However, the effects might include:

- restricting dividends on our common stock;
- diluting the voting power of our common stock;
- impairing liquidation rights of our common stock;
- or
- delaying or preventing a change in control of us without further action by our stockholders.

Anti-Takeover Provisions

Some provisions of Delaware law, the Certificate of Incorporation and the Bylaws summarized below could make certain change of control transactions more difficult, including acquisitions of Parker by means of a tender offer, proxy contest or otherwise, as well as removal of the incumbent directors. These provisions may have the effect of preventing changes in management. It is possible that these provisions would make it more difficult to accomplish or deter transactions that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock.

Business Combinations under Delaware Law

Parker has opted out of Section 203 of the DGCL.

Number and Election of Directors

The Certificate of Incorporation provides that the Board shall initially be comprised of seven directors, with the number of directors to be fixed from time to time by resolution adopted by a majority of the total number of directors the Board would have if there were no vacancies.

The Bylaws provide that special meetings of stockholders may be called only by (i) the chairman of the Board, (ii) the Board pursuant to a resolution adopted by the majority of the Board or (iii) the secretary of Parker upon the delivery of a written request to Parker by the holders of at least a majority of the outstanding shares of common stock in the manner provided in the Bylaws.

Amendments to the Bylaws

The Bylaws may be amended or repealed or new bylaws may be adopted (i) by action of the Board or (ii) without action of the Board, by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of common stock entitled to vote generally in the election of directors.

Other Limitations on Stockholder Actions

Advance notice is required for stockholders to nominate directors or to submit proposals for consideration at meetings of stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to the corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at the principal executive offices not less than 90 days nor more than 120 days prior to the anniversary of the immediately preceding annual meeting of stockholders. The Bylaws specify in detail the requirements as to form and content of all stockholder notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting. The Bylaws also describe certain criteria for when stockholder-requested meetings need not be held.

Directors may be removed from office at any time by the affirmative vote of holders of at least a majority of the outstanding shares of common stock entitled generally to vote in the election of directors.

Newly Created Directorships and Vacancies on the Board

Under the Bylaws, any newly created directorships resulting from any increase in the number of directors and any vacancies on the Board for any reason may be filled solely by a majority vote of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by stockholders).

No Cumulative Voting

The Certificate of Incorporation provides that there will be no cumulative voting in the election of directors.

Authorized but Unissued Shares

Under Delaware law, Parker's authorized but unissued shares of common stock are available for future issuance without stockholder approval. Parker may use these additional shares of common stock for a variety of corporate purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of Parker by means of a proxy contest, tender offer, merger or otherwise.

Exclusive Forum

Our Certificate of Incorporation provides that, subject to limited exceptions, the Court of Chancery in the State of Delaware (or, if and only if the Court of Chancery lacks subject matter jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any: (i) derivative action or proceeding brought on our behalf; (ii) action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders; (iii) action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation, our bylaws or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery; or (iv) action asserting a claim against us that is governed by the internal affairs doctrine. In addition, our certificate of incorporation provides that if any action specified above (each is referred to herein as a covered proceeding), is filed in a court other than a court located within the State of Delaware (each is referred to herein as a foreign action), the claiming party will be deemed to have consented to (i) the personal jurisdiction of state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the exclusive forum provision described above and (ii) having service of process made upon such claiming party in any such enforcement action by service upon such claiming party's counsel in the foreign action as agent for such claiming party. These provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our a certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the covered proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

SUBSIDIARIES OF THE REGISTRANT

The following is a list of significant subsidiaries of the Registrant:

- 1 Parker Technology, Inc. (Oklahoma, U.S.A.) - 100% direct subsidiary.
 - 2 Parker North America Operations, LLC (Nevada, U.S.A.) - 100% direct subsidiary.
 - 3 Universal Rig Service LLC (Delaware, U.S.A.) - 100% direct subsidiary.
 - 4 Parker Drilling Domestic Holding Company LLC (Delaware, U.S.A.) - 100% direct subsidiary.
 - 5 Parker Drilling Management Services, Ltd. (Nevada, U.S.A.) - 100% indirect subsidiary - Parker North America Operations, LLC (100%).
 - 6 Quail Tools, LLC (Oklahoma, U.S.A.) - 100% indirect subsidiary - PD Holdings Domestic Company S.a.r.l. (99.90%), PD GP Quail, LLC (0.01%).
 - 7 Parker Drilling Company North America, Inc. (Nevada, U.S.A.) - 100% indirect subsidiary - Parker North America Operations, LLC (100%).
 - 8 Parker Drilling Offshore USA, L.L.C. (Oklahoma, U.S.A.) - 100% indirect subsidiary - PD Holdings Domestic Company S.a.r.l. (99.90%), PD GP Offshore, LLC (0.01%).
 - 9 Parker Drilling Offshore Company, LLC (Nevada, U.S.A.) - 100% indirect subsidiary - Parker North America Operations, LLC (100%).
 - 10 Parker Drilling Arctic Operating, LLC (Delaware, U.S.A.) - 100% indirect subsidiary - PD Holdings Domestic Company S.a.r.l. (99.90%), PD GP Arctic, LLC (0.01%).
 - 11 2M-TEK, Inc. (Louisiana, U.S.A.) - 100% indirect subsidiary - Parker Drilling Offshore Company, LLC (100%).
 - 12 Parker Drilling Company Kuwait Limited (Bahamas) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 13 Parker Drilling Company International Limited (Nevada, U.S.A.) - 100% indirect subsidiary - Parker Drilling Eurasia, Inc. (100%).
 - 14 Parker Drilling Company of Sakhalin (Russia) - 100% indirect subsidiary - Parker Drilling Netherlands B.V. (100%).
 - 15 Parker Drilling (Kazakstan), LLC (Delaware, U.S.A.) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 16 Parker Drilling Company of New Guinea, LLC (Delaware, U.S.A.) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 17 Parker Drilling de Mexico, S. de R.L. de C.V. (Mexico) - 100% indirect subsidiary - Parker Drilling Company of Mexico, LLC (2%), Parker Drilling Offshore Company, LLC (98%).
 - 18 Parker Drilling Offshore International, Inc. (Cayman Islands) - 100% indirect subsidiary - Parker Drilling Offshore Company, LLC (100%).
 - 19 Parker Drillsource LLC (Delaware, U.S.A.) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 20 PD International Holdings, C.V. (Netherlands) - 100% indirect subsidiary - Parker Rigsources, LLC (0.04%), International Tubular Services Limited (99.96%).
 - 21 Parker Drilling Dutch B.V. (Netherlands) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 22 PD Selective Holdings C.V. (Netherlands) - 100% indirect subsidiary - Parker 3source, LLC (00.03%), PD Selective, LLC (99.97%).
 - 23 Parker Hungary Rig Holdings Limited Liability Company (Hungary) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 24 Parker Drilling AME Limited (Cayman Islands) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 25 Parker Drilling Overseas B.V. (Netherlands) - 100% indirect subsidiary - Parker Drilling Netherlands B.V. (100%).
 - 26 Parker Drilling Netherlands B.V. (Netherlands) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 27 Parker Drilling International B.V. (Netherlands) - 100% indirect subsidiary - Parker Drilling Netherlands B.V. (100%).
 - 28 Parker Drilling Russia B.V. (Netherlands) - 100% indirect subsidiary - Parker Drilling Netherlands B.V. (100%).
 - 29 Parker Drilling Eurasia, Inc. (Delaware, U.S.A.) - 100% indirect subsidiary - Parker North America Operations, LLC (100%).
 - 30 Parker Drilling Pacific Rim, Inc. (Delaware, U.S.A.) - 100% indirect subsidiary - Parker North America Operations, LLC (100%).
 - 31 Parker Central Europe Rig Holdings LLC (Hungary) - 100% indirect subsidiary - Parker International Holding Kft. (100%).
 - 32 Primorsky Drill Rig Services B.V. (Netherlands) - 100% indirect subsidiary - Parker Drilling Netherlands B.V. (100%).
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- 33 Parker Drilling Canada Company (Nova Scotia, Canada) - 100% indirect subsidiary - Parker International Holding, Kft. (100%).
- 34 PD Holdings Domestic Company S.a.r.l. (Luxembourg) - 100% indirect subsidiary - Parker North America Operations, LLC (100%).
- 35 Parker International Holding, Kft. (Hungary) - 100% indirect subsidiary - PD ITS, LLC (33.33%), PD Dutch, LLC (33.33%), PD Selective Holdings, C.V. (33.33%).
- 36 PD ITS, LLC (Delaware, U.S.A.) - 100% indirect subsidiary - Parker Drilling Pacific Rim, Inc. (100%).
- 37 Parker Dalnevostockny Drilling Services, LLC (Russia)- 100% indirect subsidiary - Parker Drilling Netherlands B.V. (49%), Parker Drilling Company of Sakhalin (51%).
- 38 International Tubular Services Limited (Scotland, U.K.) - 100% indirect subsidiary - Parker International Holding, Kft. (100%).
- 39 ITS Netherlands B.V. (Netherlands) - 100% indirect subsidiary - International Tubular Services Limited (100%).
- 40 ITS Energy Services Limited (Trinidad) - 100% indirect subsidiary - International Tubular Services Limited (100%).
- 41 ITS Arabia Limited (Saudi Arabia) - 100% indirect subsidiary - PD International Holdings C.V. (70%),ITS Egypt Holdings 1, Ltd. (30%).
- 42 ITS Energy Services (Cayman Islands) - 100% indirect subsidiary - Parker International Holding, Kft. (100%).
- 43 International Tubular Services de Mexico, S. de R.I. de C.V. (Mexico) - 100% indirect subsidiary - International Tubular Services Limited (99.74%), ITS Egypt Holdings 2, Ltd. (0.26%).
- 44 ITS Energy Services (Asia Pacific) PTE LTD (Singapore) - 100% indirect subsidiary - ITS Energy Services PTE Ltd (100%).
- 45 International Tubular Services Middle East, WLL (U.A.E.) - 100% indirect subsidiary - 3rd Party Saleem Abdulla Salem Saeed Al Shamnisi (51%),International Tubulars FZE (49%).
- 46 Technology Specialists for Tubes Manufacturing & General Services, LLC (Iraq) - 100% indirect subsidiary - International Tubulars FZE (100%).
- 47 International Tubulars FZE (U.A.E.) - 100% indirect subsidiary - International Tubular Services Limited (100%).

Note: Certain subsidiaries have been omitted from the list since they would not, even if considered in the aggregate, constitute a significant subsidiary. All subsidiaries are included in the consolidated financial statements.

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Eugene Davis, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2019, of Parker Drilling Company (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2020

/s/ Eugene Davis

Eugene Davis

Chair of Office of the Chief Executive Officer Committee

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Michael W. Sumruld, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2019, of Parker Drilling Company (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2020

/s/ Michael W. Sumruld

Michael W. Sumruld

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 4, 2020

/s/ Eugene Davis

Eugene Davis

Chair of Office of the Chief Executive Officer Committee

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 4, 2020

/s/ Michael W. Sumruld

Michael W. Sumruld

Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.