



Investment Guide: Helmerich & Payne stays flexible

By JOHN STANCAVAGE World Business Columnist | Posted: Sunday, September 28, 2014 12:00 am

Tulsa-based Helmerich & Payne is a contract drilling company that has remained remarkably steady and conservative over the years, despite being part of an industry where wildcatting and long-odds risks are common.

The company, which was established in 1920, has had only four CEOs — three of them named Helmerich. In September 2012, however, third-generation leader Hans Helmerich announced he would retire and be replaced by John W. Lindsay.

Since then, Lindsay has shown he intends to keep H&P on the same course as the family leadership. The company also has enjoyed the fruits of the domestic drilling boom.

“Lindsay reflects the personality of the company, which was established by Walter Helmerich II,” said local money manager Fred Russell.

Walt Helmerich III brought the same style to the helm, “and that was inherited by Hans,” said Russell, who made H&P his No. 1 pick for the Investment Guide.

Now Lindsay is in the head office and continuing to manage the company in a similar way to his predecessors.

“H&P always has been cautious about its debt and believes in maintaining good cash flow,” the analyst said. “The managers also stay down to earth, unlike some of their peers, who sometimes mistake industry boom times for operational genius.”

Russell, principal of Fredric E. Russell Investment Management, said H&P has built a strong brand in the contract drilling industry with its high-tech FlexRigs.

“H&P is perceived to have the state-of-the-art rigs,” he said.

As a result, the firm has been flooded with contracts since shale plays took off a few years ago. The drilling business should continue to thrive for some time, according to Russell and other experts.

Analysts Andrew Cosgrove and William Foiles told Bloomberg News recently that the number of rigs at work domestically could grow 8.2 percent in 2015.

H&P is expected to expand its fleet the most, Cosgrove and Foiles said, adding 44 rigs.

Earlier this month, H&P announced it had received nine new contracts for FlexRigs, raising its total number of contracts for the year to 83. The company also said it was building four rigs a month and had the capability to “swiftly respond” to changes in demand. The new orders will push H&P’s global fleet to more than 400.

In the third quarter, H&P announced record revenues, operating income and rig activity.

In mid-September, the company’s stock was trading at about \$100 a share, down a bit from its 52-week high of \$119, but far above its low of \$66.

Research firm Argus recently upped H&P’s rating from “hold” to “buy.” Russell agrees.

“There are a lot of reasons for optimism,” he said.



Helmerich & Payne is expected to expand its fleet of drilling rigs at work domestically in 2015, following a national trend. COURTESY

Helmerich & Payne

Company address: 1437 S. Boulder Ave., Tulsa

Phone number: 918-742-5531

Web address: www.hpinc.com

Chairman (if available): Hans Helmerich

President and CEO: John W. Lindsay

Ticker symbol: HP (NYSE)

Operation: Provides contract drilling of oil and gas wells.