

Ocean Rig UDW Inc.
Form 6-K
August 07, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August 2015

Commission File Number 001-33922

DRYSHIPS INC.

74-76 V. Ipeirou Street

151 25, Marousi

Athens, Greece

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): .

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): .

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached as Exhibit 99.1 to this Report on Form 6-K is a press release of DryShips Inc. (the Company) dated August 6, 2015: DryShips Inc. Reports Financial and Operating Results for the Second Quarter 2015.

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, thereunto duly authorized.

DRYSHIPS INC.

(Registrant)

Dated: August 7, 2015

By: /s/George Economou

George Economou

Chief Executive Officer

**DRYSHIPS INC. REPORTS FINANCIAL AND OPERATING
RESULTS FOR THE SECOND QUARTER 2015**

August 6, 2015, Athens, Greece. DryShips Inc. (NASDAQ:DRYS), or DryShips or the Company, an international provider of marine transportation services for drybulk and petroleum cargoes, and through its affiliate, Ocean Rig UDW Inc., or Ocean Rig, of offshore deepwater drilling services, today announced its unaudited financial and operating results for the second quarter ended June 30, 2015.

Second Quarter 2015 Financial Highlights

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For the second quarter of 2015, the Company reported a net loss of \$1.44 billion, or \$2.17 basic and diluted loss per share.

Included in the second quarter 2015 results are:

- A one-time non-cash loss of \$1.35 billion, or \$2.03 per share, as a result of the deconsolidation of Ocean Rig.
- Impairment charge on one drybulk vessel, of \$83.9 million, or \$0.13 per share.
- Other non-cash losses related to the previously announced settlement of receivables and new employment entered into with one of our charterers, of \$45.8 million, or \$0.07 per share.

Excluding these items, the Company's net results would have amounted to a net income of \$36.5 million, or \$0.06 per share. ⁽¹⁾

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The Company reported Adjusted EBITDA of \$243.4 million for the second quarter of 2015, as compared to \$248.8 million for the second quarter of 2014. ⁽¹⁾

Recent Highlights

- On July 30, 2015, the Company reached an agreement with Ocean Rig to exchange the remaining outstanding balance of \$80.0 million owed to Ocean Rig under the \$120.0 million Exchangeable Promissory Note, for 17,777,778 shares of Ocean Rig owned by the Company.
- On July 30, 2015, Ocean Rig's Board of Directors decided to suspend its quarterly dividend until market conditions improve.
- As of August 6, 2015, the tankers Saga, Belmar, Lipari, Bordeira and Petalidi were delivered to their new owners.

1)The net result includes Ocean Rig results up to June 8, 2015, which were also adjusted for the minority interests of 42.24% not owned by DryShips Inc. common stockholders.

(2)Adjusted EBITDA is a non-GAAP measure; please see later in this press release for reconciliation to net income.

George Economou, Chairman and Chief Executive Officer of the Company, commented:

Dryships second quarter results were burdened with one-off non-cash losses mainly associated with the deconsolidation of Ocean Rig. More recently, our stake in Ocean Rig has fallen even further as a result of the settlement of the \$120 million promissory note by means of shares of Ocean Rig. Following the consummation of the transaction, Dryships will continue to remain the largest single shareholder in Ocean Rig with an approximately 40% direct ownership.

We are currently focused on the delivery of our tankers to their new owners. We have already delivered 3 Suezmax tankers and 2 Aframax tankers and we expect to deliver the remaining 5 tankers by the end of September 2015.

Going forward, Dryships cashflow will be driven solely by the conditions of the drybulk market, given also the recent dividend suspension announced by Ocean Rig. We believe that the recent improvement in the drybulk market, while helpful, does not significantly change our outlook for a challenging environment in the next 18 months, and we remain prepared for the uncertainty ahead.

Financial Review: 2015 Second Quarter Drilling segment included up to June 8, 2015

The Company recorded net loss of \$1.44 billion, or \$2.17 basic and diluted loss per share, for the three-month period ended June 30, 2015, as compared to a net loss of \$5.6 million, or \$0.01 basic and diluted loss per share, for the three-month period ended June 30, 2014. Adjusted EBITDA⁽¹⁾ was \$243.4 million for the second quarter of 2015, as compared to \$248.8 million for the same period in 2014.

For the drybulk carrier segment, net voyage revenues (voyage revenues minus voyage expenses) amounted to \$37.4⁽³⁾ million for the three-month period ended June 30, 2015, as compared to \$41.7 million for the three-month period ended June 30, 2014. For the tanker segment, net voyage revenues amounted to \$39.2 million for the three-month period ended June 30, 2015, as compared to \$14.2 million for the same period in 2014. For the offshore drilling segment, revenues from drilling contracts decreased by \$117.7 million to \$323.7 million for the three-month period ended June 30, 2015, as compared to \$441.4 million for the three-month period ended June 30, 2014.

Total vessels, drilling rigs and drillships operating expenses and total depreciation and amortization decreased to \$136.2 million and to \$90.8 million, respectively, for the three-month period ended June 30, 2015, from \$213.0 million and \$112.7 million, respectively, for the three-month period ended June 30, 2014. Total general and administrative expenses decreased to \$31.5 million in the second quarter of 2015, from \$41.5 million during the same period in 2014.

Interest and finance costs, net of interest income, amounted to \$69.9 million for the three-month period ended June 30, 2015, compared to \$86.0 million for the three-month period ended June 30, 2014.

The Time Charter Equivalent⁽²⁾, or TCE, rate for our drybulk fleet was \$10,813 per day per vessel in the three month period ended June 30, 2015, as compared to \$12,064 per day per vessel in the corresponding period of 2014. The Time Charter Equivalent, or TCE, rate for our tanker fleet was \$43,221 per day per vessel in the three month period ended June 30, 2015 which is a significant improvement compared to the \$15,650 per day per vessel TCE rate in the corresponding period of 2014.

(1) Adjusted EBITDA is a non-GAAP measure; please see later in this press release for reconciliation to net income.

(2) Time Charter Equivalent is a non-GAAP measure; please see later in this press release for definition.

(3) Does not include accrual for the provision of the purchase options and write off in overdue receivables under certain time charter agreements.

Fleet List

The table below describes our fleet profile as of August 6, 2015:

| | <u>Year</u> | | | <u>Gross rate</u> | <u>Redelivery</u> | |
|-----------------------------|--------------|------------|-------------|-------------------|-------------------|---------------|
| | <u>Built</u> | <u>DWT</u> | <u>Type</u> | <u>Per day</u> | <u>Earliest</u> | <u>Latest</u> |
| <u>Drybulk fleet</u> | | | | | | |
| Capesize: | | | | | | |
| Rangiroa | 2013 | 206,026 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Negonego | 2013 | 206,097 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Fakarava | 2012 | 206,152 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Raiatea | 2011 | 179,078 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Mystic | 2008 | 170,040 | Capesize | \$52,310 | Aug-18 | Dec-18 |
| Robusto | 2006 | 173,949 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Cohiba | 2006 | 174,234 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Montecristo | 2005 | 180,263 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Flecha | 2004 | 170,012 | Capesize | \$55,000 | Jul-18 | Nov-18 |
| Manasota | 2004 | 171,061 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Partagas | 2004 | 173,880 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Alameda | 2001 | 170,662 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Capri | 2001 | 172,579 | Capesize | \$12,500 | Aug-19 | Feb-20 |
| Panamax: | | | | | | |
| Raraka | 2012 | 76,037 | Panamax | Spot | N/A | N/A |
| Woolloomooloo | 2012 | 76,064 | Panamax | Spot | N/A | N/A |
| Amalfi | 2009 | 75,206 | Panamax | Spot | N/A | N/A |
| Rapallo | 2009 | 75,123 | Panamax | T/C Index linked | Jul-16 | Sep-16 |
| Catalina | 2005 | 74,432 | Panamax | Spot | N/A | N/A |
| Majorca | 2005 | 74,477 | Panamax | Spot | N/A | N/A |
| Ligari | 2004 | 75,583 | Panamax | Spot | N/A | N/A |
| Saldanha | 2004 | 75,707 | Panamax | Spot | N/A | N/A |
| Sorrento | 2004 | 76,633 | Panamax | \$24,500 | Aug-21 | Dec-21 |
| Mendocino | 2002 | 76,623 | Panamax | T/C Index linked | Sep-16 | Nov-16 |
| Bargara | 2002 | 74,832 | Panamax | T/C Index linked | Sep-16 | Nov-16 |
| Oregon | 2002 | 74,204 | Panamax | Spot | N/A | N/A |
| Ecola | 2001 | 73,931 | Panamax | Spot | N/A | N/A |

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| | | | | | | |
|---------------|------|--------|---------|------------------|--------|--------|
| Samatan | 2001 | 74,823 | Panamax | Spot | N/A | N/A |
| Sonoma | 2001 | 74,786 | Panamax | Spot | N/A | N/A |
| Capitola | 2001 | 74,816 | Panamax | Spot | N/A | N/A |
| Levanto | 2001 | 73,925 | Panamax | T/C Index linked | Aug-16 | Oct-16 |
| Maganari | 2001 | 75,941 | Panamax | Spot | N/A | N/A |
| Coronado | 2000 | 75,706 | Panamax | Spot | N/A | N/A |
| Marbella | 2000 | 72,561 | Panamax | Spot | N/A | N/A |
| Redondo | 2000 | 74,716 | Panamax | Spot | N/A | N/A |
| Topeka | 2000 | 74,716 | Panamax | Spot | N/A | N/A |
| Ocean Crystal | 1999 | 73,688 | Panamax | Spot | N/A | N/A |
| Helena | 1999 | 73,744 | Panamax | Spot | N/A | N/A |

Supramax:

| | | | | | | |
|-----------|------|--------|----------|------|-----|-----|
| Byron | 2003 | 51,118 | Supramax | Spot | N/A | N/A |
| Galveston | 2002 | 51,201 | Supramax | Spot | N/A | N/A |

| | Year Built/or <u>Scheduled</u> <u>Delivery</u> | <u>DWT</u> | <u>Type</u> | Gross rate <u>Per day</u> | Redelivery <u>Earliest</u> | <u>Latest</u> |
|--|---|------------|-------------|----------------------------------|-----------------------------------|---------------|
|--|---|------------|-------------|----------------------------------|-----------------------------------|---------------|

Tanker fleet

Suezmax:

| | | | | | | |
|--------------|------|---------|---------|------|-----|-----|
| Vilamoura(1) | 2011 | 158,622 | Suezmax | Spot | N/A | N/A |
|--------------|------|---------|---------|------|-----|-----|

Aframax:

| | | | | | | |
|-------------|------|---------|---------|------|-----|-----|
| Alicante(1) | 2013 | 115,708 | Aframax | Spot | N/A | N/A |
| Mareta(1) | 2013 | 115,796 | Aframax | Spot | N/A | N/A |
| Calida(1) | 2012 | 115,812 | Aframax | Spot | N/A | N/A |
| Daytona(1) | 2011 | 115,896 | Aframax | Spot | N/A | N/A |

(1) Sold, expect to be delivered to new owners during Q3 2015.

Drilling Rigs/Drillships:

Total backlog as of August 3, 2015 amounted to \$4.3 billion.

| Unit | Year built/ or Scheduled Delivery | Redelivery | Operating Area |
|---------------------|--|-------------------|-----------------------------|
| Leiv Eiriksson | 2001 | Q1 16 | Norwegian Continental Shelf |
| Eirik Raude | 2002 | Q4 15 | Falkland Islands |
| Ocean Rig Corcovado | 2011 | Q2 18 | Brazil |
| Ocean Rig Olympia | 2011 | Q2 16(1) | Angola |
| Ocean Rig Poseidon | 2011 | Q2 17 | Angola |
| Ocean Rig Mykonos | 2011 | Q1 18 | Brazil |
| Ocean Rig Mylos | 2013 | Q3 16 | Brazil |
| Ocean Rig Skyros | 2013 | Q3 21 | Angola |
| Ocean Rig Athena | 2014 | Q2 17 | Angola |
| Ocean Rig Apollo | 2015 | Q2 18 | West Africa |
| Newbuildings | | | |
| Ocean Rig Santorini | Q2 2016 | N/A | N/A |
| Ocean Rig Crete | Q1 2018 | N/A | N/A |
| Ocean Rig Amorgos | Q1 2019 | N/A | N/A |

(1) Total E&P Angola has redelivered the Ocean Rig Olympia on completion of its well on March 9, 2015 and ahead of the contractual redelivery date of August 2015. We are presently in discussions with Total EP Angola and intend to legally defend our rights should we fail to reach an amicable solution.

Drybulk Carrier and Tanker Segment Summary Operating Data(unaudited)*(Dollars in thousands, except average daily results)*

| <u>Drybulk</u> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2014 | 2015 | 2014 | 2015 |
| Average number of vessels ⁽¹⁾ | 38.7 | 39.0 | 38.4 | 39.0 |
| Total voyage days for vessels ⁽²⁾ | 3,453 | 3,458 | 6,791 | 6,864 |
| Total calendar days for vessels ⁽³⁾ | 3,526 | 3,549 | 6,946 | 7,059 |
| Fleet utilization ⁽⁴⁾ | 97.9% | 97.4% | 97.8% | 97.2% |
| Time charter equivalent ⁽⁵⁾ | \$12,064 | \$10,813 | \$12,801 | \$10,675 |
| Vessel operating expenses (daily) ⁽⁶⁾ | \$6,602 | \$6,543 | \$6,466 | \$6,450 |

| <u>Tanker</u> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2014 | 2015 | 2014 | 2015 |
| Average number of vessels ⁽¹⁾ | 10.0 | 10.0 | 10.0 | 10.0 |
| Total voyage days for vessels ⁽²⁾ | 910 | 906 | 1,810 | 1,806 |
| Total calendar days for vessels ⁽³⁾ | 910 | 910 | 1,810 | 1,810 |
| Fleet utilization ⁽⁴⁾ | 100.0% | 99.6% | 100.0% | 99.8% |
| Time charter equivalent ⁽⁵⁾ | \$15,650 | \$43,221 | \$20,190 | \$39,225 |
| Vessel operating expenses (daily) ⁽⁶⁾ | \$7,286 | \$6,955 | \$7,215 | \$6,751 |

(1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Total voyage days for fleet are the total days the vessels were in our possession for the relevant period net of dry-docking days.

(3) Calendar days are the total number of days the vessels were in our possession for the relevant period including dry-docking days.

(4) Fleet utilization is the percentage of time that our vessels were available for revenue generating voyage days, and is determined by dividing voyage days by fleet calendar days for the relevant period.

(5) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage and are paid by the charterer under a time

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charter contract, as well as commissions. TCE revenues, a non-U.S. GAAP measure, provides additional meaningful information in conjunction with revenues from our vessels, the most directly comparable U.S. GAAP measure, because it assists our management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. TCE is also a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods. Please see below for a reconciliation of TCE rates to voyage revenues.

(6) Daily vessel operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(7) Does not include accrual for the provision of the purchase options and write off in overdue receivables under certain time charter agreements.

(In thousands of U.S. dollars, except for TCE rate, which is expressed in Dollars, and voyage days)

| <u>Drybulk</u> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2014 | 2015 | 2014 | 2015 |
| Voyage revenues ⁽⁷⁾ | \$ 49,616 | \$ 42,239 | \$ 103,024 | \$ 87,839 |
| Voyage expenses | (7,960) | (4,847) | (16,092) | (14,567) |
| Time charter equivalent revenues | \$ 41,656 | \$ 37,392 | \$ 86,932 | \$ 73,272 |
| Total voyage days for fleet | 3,453 | 3,458 | 6,791 | 6,864 |
| Time charter equivalent TCE | \$ 12,064 | \$ 10,813 | \$ 12,801 | \$ 10,675 |

| <u>Tanker</u> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|-----------|---------------------------|------------|
| | 2014 | 2015 | 2014 | 2015 |
| Voyage revenues | \$ 36,624 | \$ 54,814 | \$ 79,938 | \$ 104,879 |
| Voyage expenses | (22,383) | (15,656) | (43,394) | (34,038) |
| Time charter equivalent revenues | \$ 14,241 | \$ 39,158 | \$ 36,544 | \$ 70,841 |
| Total voyage days for fleet | 910 | 906 | 1,810 | 1,806 |
| Time charter equivalent TCE | \$ 15,650 | \$ 43,221 | \$ 20,190 | \$ 39,225 |

DryShips Inc.**Financial Statements****Unaudited Interim Condensed Consolidated Statements of Operations**(Expressed in Thousands of U.S.
Dollars

| except for share and per share data) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|------------------|
| | 2014 | 2015 | 2014 | 2015 |
| REVENUES: | | | | |
| Voyage revenues | \$ 86,240 | \$ 79,460 | \$ 182,962 | \$ 169,488 |
| Revenues from drilling contracts | 441,433 | 323,722 | 802,197 | 725,805 |
| | 527,673 | 403,182 | 985,159 | 895,293 |
| EXPENSES: | | | | |
| Voyage expenses | 30,343 | 20,503 | 59,486 | 48,605 |
| Vessel operating expenses | 29,907 | 29,550 | 57,970 | 57,750 |
| Drilling rigs and drillships operating expenses | 183,089 | 106,696 | 334,604 | 259,623 |
| Depreciation and amortization | 112,658 | 90,840 | 219,935 | 209,536 |
| Vessels impairment and other | - | 112,178 | - | 168,809 |
| General and administrative expenses | 41,544 | 31,519 | 90,635 | 74,807 |
| Legal settlements and other, net | (734) | (2,173) | 870 | (2,803) |
| Operating income | 130,866 | 14,069 | 221,659 | 78,966 |
| OTHER INCOME / (EXPENSES): | | | | |
| Interest and finance costs, net of interest income | (86,042) | (69,860) | (200,293) | (146,348) |
| Loss on interest rate swaps | (9,628) | (1,768) | (12,403) | (11,448) |
| Other, net | 2,642 | (4,506) | 2,538 | (6,435) |
| Income taxes | (15,142) | (17,341) | (23,933) | (36,931) |
| Total other expenses, net | (108,170) | (93,475) | (234,091) | (201,162) |
| Net income/(loss) | 22,696 | (79,406) | (12,432) | (122,196) |