

MCDERMOTT INTERNATIONAL INC
Form DEF 14A
March 18, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

McDermott International, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:

Edgar Filing: MCDERMOTT INTERNATIONAL INC - Form DEF 14A

- 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

[Back to Contents](#)

[Back to Contents](#)

[Back to Contents](#)

LETTER TO STOCKHOLDERS

Dear Fellow Stockholder:

I am pleased to invite you to attend the 2016 Annual Meeting of Stockholders of McDermott International, Inc., which will be held on Friday, April 29, 2016, at The Westin Houston Hotel, 945 Gessner Road, Houston, Texas 77024, commencing at 10:00 a.m., local time. The Notice of Annual Meeting and Proxy Statement following this letter provide information on the matters to be acted on at the Meeting.

Over the past two years, McDermott has undergone a significant transformation. David Dickson was appointed Chief Executive Officer in December 2013, and 2014 began as a year with the business in financial distress and our executive team and Board of Directors executing a turnaround strategy to position McDermott for the future. In 2015, against the backdrop of a challenging and deteriorating macro oil and gas environment, we were highly focused on the seamless execution of our operating strategy – to drive a sustainable, profitable and growth-oriented business, with a focus on stockholders, customers and other stakeholders. Our goals for 2015 were to increase operating income via improved project execution, increase cash flows by prioritizing the liquidity needs of our company, increase backlog and bookings to support our future business, promote pricing discipline on order intake operating margins and implement the McDermott Profitability Initiative, our plan focused on increasing profitability and operational flexibility. As further detailed in this proxy statement, our 2015 executive compensation programs were aligned with this strategy and the achievement of these goals.

2015 was a strong year for McDermott

Our financial and operating performance in 2015 resulted in revenues of \$3.1 billion, operating income of \$91.2 million and year-end backlog of \$4.2 billion, each significant increases over performance under the same metrics in 2014.

We generated peer leading total shareholder return (TSR) of 15% in 2015.

We executed a second Long Term Agreement with Saudi Aramco, and received the Lump Sum Award under the Long Term Agreement, which represents the largest award in the history of our Middle East operations.

I am proud of the dedication and delivery on our strategic plan this past year, and I am confident that our Board and

executive team will continue to take necessary actions to ensure McDermott remains on a profitable path, driving stockholder value over the long-term.

Stockholder engagement was a key priority for the Board in 2015. We reached out to stockholders representing approximately 40 percent of our outstanding common stock to discuss their perspectives and obtain feedback on a variety of topics, including our corporate governance policies and executive compensation practices. The Chair of our Compensation Committee, Mary Shafer-Malicki, and the Chair of our Governance Committee, Stephen Hanks, led this effort, meeting in-person with holders of approximately 30 percent of our outstanding common stock. As detailed further in this proxy statement, our dialogue with stockholders has significantly influenced the evolution of our executive compensation program. We will continue our stockholder engagement efforts in 2016 and will endeavor to integrate stockholder feedback. It is my hope that this Proxy Statement, which reflects a new design and enhancements based on stockholder input, will provide greater clarification and insight into the connections between our strategy, performance and compensation practices.

On a final note, as part of the Governance Committee's ongoing commitment to director refreshment, Erich Kaeser was appointed to the Board as a new independent director in February 2016, and is standing for election at our 2016 Annual Meeting. Mr. Kaeser brings a valuable mix of experience and skills in leadership and in the international energy and supporting infrastructure businesses, with extensive international operations experience, particularly in the Middle East, that complements the experience and skills of the other nominees standing for re-election.

On behalf of the Board of Directors, I would like to express my sincere appreciation for the trust you have in McDermott.

Sincerely yours,

Gary P. Luquette
Independent Chair of the Board

March 18, 2016

YOUR VOTE IS IMPORTANT.

Whether or not you plan to attend the meeting, please take a few minutes now to vote your shares.

McDermott International, Inc. 1

[Back to Contents](#)

McDERMOTT INTERNATIONAL, INC.
757 N. Eldridge Pkwy.
Houston, Texas 77079

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Time and Location

10:00 a.m., local time, on Friday, April 29, 2016
The Westin Houston Hotel
945 Gessner Road
Houston, Texas 77024

Items of Business

1. To elect nine members to our Board of Directors, each for a term of one year.
2. To conduct an advisory vote to approve named executive officer compensation.
To ratify our Audit Committee's appointment of Deloitte &
3. Touche LLP as our independent registered public accounting firm for the year ending December 31, 2016.
4. To approve our 2016 Executive Incentive Compensation Plan.
5. To approve our 2016 Long-Term Incentive Plan.
6. To transact such other business that properly comes before the meeting or any adjournment thereof.

Record Date and Voting

You are entitled to vote if you were a stockholder of record at the close of business on February 29, 2016 (the "Record Date"). Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at the meeting. There were 239,031,053 shares of our common stock outstanding on the Record Date.

Notice and Access

Instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we are providing access to these materials via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on March 18, 2016, we began mailing a Notice of Internet Availability of Proxy Materials (the "Notice") to all stockholders of record as of the Record Date, and posted our proxy materials on the

Web site referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, all stockholders may choose to access our proxy materials on the Web site referred to in the Notice and/or may request a printed set of our proxy materials. In addition, the Notice and Web site provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Attending the Annual Meeting

See page 81, "Questions and Answers About Attending the Annual Meeting and Voting" for details.

By Order of the Board of Directors,

Liane K. Hinrichs
Secretary
March 18, 2016

PROXY VOTING

Your vote is important. Please vote promptly so your shares can be represented, even if you plan to attend the Annual Meeting. You can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the proxy card enclosed with the printed materials.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on April 29, 2016.

The proxy statement and annual report are available on the Internet at www.proxyvote.com.

The following information applicable to the Annual Meeting may be found in the proxy statement and accompanying proxy card:

The date, time and location of the meeting;

A list of the matters intended to be acted on and our recommendations regarding those matters;

Any control/identification numbers that you need to access your proxy card; and

Information about attending the meeting and voting in person.

2016 Proxy Statement **2**

[Back to Contents](#)

PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully. As used in this proxy statement, unless the context otherwise indicates or requires, references to “McDermott,” “we,” “us,” and “our” mean McDermott International, Inc. and its consolidated subsidiaries. We first sent or provided this proxy statement and the form of proxy for our 2016 Annual Meeting of Stockholders on March 18, 2016.

Items of Business for the Annual Meeting

Item of Business	Board Vote Recommendation	Page Reference
1. Election of directors	FOR Each Director Nominee	12
2. Advisory vote to approve named executive officer compensation	FOR	28
3. Ratification of Deloitte & Touche LLP as auditor for 2016	FOR	67
4. Approval of the 2016 Executive Incentive Compensation Plan	FOR	69
5. Approval of the 2016 Long Term Incentive Compensation Plan	FOR	70

Item 1 – Election of Directors

The Board of Directors has nominated nine candidates, each for a one-year term, including Mr. Erich Kaeser, who was appointed to our Board in February 2016.

Our Board of Directors recommends that stockholders vote “FOR” each of the nominees named below.

	Age	Director Since	Independent	Committees	Other Current Public Company Boards
John F. Bookout, III					
Senior Advisor, Apollo Global Management, LLC	62	2006	X	Governance	None
Roger A. Brown				Compensation	
Vice President, Strategic Initiatives of Smith International, Inc. (retired)	71	2005	X	Governance	Ultra Petroleum Corp.
David Dickson					
President and Chief Executive Officer of McDermott	48	2013		None	None
Stephen G. Hanks	65	2009	X	Audit	Lincoln Electric Holdings, Inc.
President, Chief Executive Officer of Washington Group International, Inc. (retired)					

					Governance (Chair)	Babcock & Wilcox Enterprises, Inc.
Erich Kaeser						
Chief Executive Officer of Siemens Middle East (retired)	60	2016	X		Audit	None
Gary P. Luquette						
President and Chief Executive Officer of Frank's International N.V.	60	2013	X		Compensation	Frank's International, N.V.
(Non-Executive Chair of the Board of McDermott)						
William H. Schumann, III						
Executive Vice President of FMC Technologies, Inc. (retired)	65	2012	X		Audit (Chair)	Avnet, Inc.
Mary L. Shafer-Malicki						
Senior Vice President and Chief Executive Officer of BP Angola (retired)	55	2011	X		Compensation (Chair)	Ausenco Limited
David A. Trice						
Chief Executive Officer of Newfield Exploration Company (retired)	68	2009	X		Audit	New Jersey Resources Corporation
						QEP Resources, Inc.

McDermott International, Inc. 3

[Back to Contents](#)

Proxy Summary

Board Snapshot

Corporate Governance

McDermott’s Board has implemented policies and structures that we believe are among best practices in corporate governance. The Corporate Governance

section of this proxy statement beginning on page 12 describes our governance framework, which includes the following:

Board and Governance Information

Size of Board	9	Board Orientation	Yes
Number of Independent Directors	8	Succession Planning Oversight	Yes
Separate Chair and CEO	Yes	Board Risk Oversight	Yes
Board Meetings Held in 2015	10	Code of Conduct for Directors, Officers and Employees	Yes
Mandatory Retirement Age	72	Stock Ownership Guidelines for Directors and Executive Committee, or EXCOM, Members	Yes
Average Age of Directors	62	Anti-Hedging and Pledging Policies	Yes
Annual Board and Committee Evaluations	Yes	Clawback Policy and Forfeiture Provisions	Yes
Independent Directors Meet in Executive Session	Yes	Stockholder Outreach Program	Yes

Item 2 – Advisory Vote to Approve Named Executive Officer Compensation

We recommend that you review our Compensation Discussion and Analysis beginning on page 28, which explains in greater detail the philosophy of the Compensation Committee and its actions and decisions in 2015 regarding our compensation programs. While the outcome of this proposal is non-binding, the Board and Compensation Committee will consider the outcome of the vote when making future compensation decisions.

Our Board of Directors recommends that stockholders vote “FOR” the advisory vote to approve named executive officer compensation.

2016 Proxy Statement 4

[Back to Contents](#)

Proxy Summary

About our Business

Business

McDermott is a leading provider of integrated engineering, procurement, construction and installation services for offshore and subsea oil and gas field developments worldwide. We deliver fixed and floating production facilities, pipelines and subsea systems, from concept to commissioning to customers including national oil companies and international and independent oil companies. McDermott generally has 40 or fewer active contracts at any given time, which typically span a duration of one to three years, are performed in a variety of jurisdictions, and which may individually range from less than \$50 million to more than \$2 billion in total contract value.

2015 Strategy and Goals

Our strategy in 2015 was to drive a sustainable, profitable and growth-oriented business, with a focus on stockholders, customers and other stakeholders. In furtherance of this strategy, our 2015 goals were to:

increase operating income via improved project execution;

increase cash flows by prioritizing our liquidity needs;

increase backlog and bookings to support our future business;

promote pricing discipline on order intake operating margins; and

implement the McDermott Profitability Initiative (“MPI”), our plan focused on increasing profitability and operational flexibility.

Performance

Following the appointment of David Dickson as Chief Executive Officer in December 2013 and the significant turnaround efforts in 2014, McDermott commenced 2015 against the backdrop of a challenging and deteriorating macro oil and gas environment. In 2015, we were highly focused on the seamless execution of our operating strategy – to drive a sustainable, profitable, growth-oriented business, with a focus on stockholders, customers and other stakeholders. Reflecting the execution of our operating strategy, McDermott’s financial performance was as follows for the periods presented below:

McDermott International, Inc. 5
