SMITH INTERNATIONAL INC
Form 424B5
November 18, 2009

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-153631

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Offered	Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value $1.00 per share	$853,300,000	$47,614.14

(1) Includes shares of common stock that may be purchased by the underwriters pursuant to their option to purchase additional shares to cover over-allotments, if any.

(2) This filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933.

Prospectus supplement
(To Prospectus dated September 23, 2008)

28,000,000 shares

Smith International, Inc.

Common stock

We are offering 28,000,000 shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol SII. The last reported sale price of our common stock on the New York Stock Exchange on November 17, 2009 was $26.86 per share.

	Per share	Total
Public offering price	$ 26.50000	$ 742,000,000
Underwriting discounts and commissions	$ 0.86125	$ 24,115,000
Proceeds to Smith International, before expenses	$ 25.63875	$ 717,885,000

We have granted the underwriters a 30-day option to purchase up to an additional 4,200,000 shares of common stock from us on the same terms and conditions as set forth above.

Investing in our common stock involves risks. See Risk factors beginning on page S-4 of this prospectus supplement. You should also consider the risk factors described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters are offering the shares of common stock as set forth under Underwriting. Delivery of the shares will be made on or about November 23, 2009.

Sole Book-Running Manager

J.P. Morgan

Joint Lead Manager

UBS Investment Bank

Co-Managers

Calyon Securities (USA) Inc.

DnB NOR Markets

Fortis Securities LLC

Wells Fargo Securities

Comerica Securities

November 17, 2009

Table of contents

This prospectus supplement, the accompanying prospectus and the incorporated documents include trademarks, service marks and trade names owned by us or other companies. All such trademarks, service marks and trade names are the property of their respective owners.

Table of Contents

About the prospectus supplement

This prospectus supplement is a supplement to the accompanying prospectus. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under the shelf process, we may, from time to time, issue and sell to the public any combination of the securities described in the accompanying prospectus up to an indeterminate amount, of which this offering is a part.

In this prospectus supplement, we provide you with specific information about the terms of this offering of our common stock. The accompanying prospectus gives more general information about securities we may offer from time to time, some of which does not apply to the common stock we are offering. Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement also adds to, updates and changes some of the information contained in the accompanying prospectus. Generally, when we refer to the prospectus, we are referring to this prospectus supplement combined with the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement.

In making your investment decision, you should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus or contained in any free writing prospectus issued by us. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information you should not rely on it. This document may only be used where it is legal to sell our securities. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of any time subsequent to the date of such information. Our business, financial condition, results of operations and prospects may have changed since that date.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of our common stock in certain jurisdictions may be restricted by law. We are not making an offer of our common stock in any jurisdiction where the offer is not permitted. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of the common stock. We are not making any representation to you regarding the legality of an investment in the common stock by you under applicable investment or similar laws.

In this document, Smith, we, us and our refer to Smith International, Inc. and our company refers to the combine entities of Smith International, Inc. and its subsidiaries on a consolidated basis, unless expressly stated or otherwise required. The term you refers to a prospective investor. In this document, references to U.S. dollars, U.S. $ or $ are the currency of the United States of America.

Table of Contents

Where you can find more information

This prospectus supplement and the accompanying prospectus do not contain all of the information included in the registration statement and all of the exhibits and schedules thereto. For further information about us, you should refer to the registration statement of which this prospectus supplement and the accompanying prospectus is a part. Summaries of agreements or other documents in this prospectus supplement and the accompanying prospectus are not necessarily complete. Please refer to the exhibits to the registration statement for complete copies of such documents.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public on the Internet at the SEC s website at http://www.sec.gov. You may also read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the SEC s public reference room by calling the SEC at 1-800-SEC-0330.

Our common stock is listed on the New York Stock Exchange under the trading symbol SII. Our reports, proxy statements and other information may be read and copied at the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we subsequently file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended (the Exchange Act) until all the securities described in this prospectus supplement are sold:

Our Annual Report on Form 10-K for the year ended December 31, 2008;

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009;

Our Current Reports on Form 8-K filed on January 29, 2009, March 9, 2009, March 13, 2009, March 20, 2009, April 27, 2009, July 27, 2009, July 28, 2009, October 1, 2009, October 26, 2009, and October 29, 2009;

The description of our common stock, par value $1.00 per share, contained in our Registration Statement on Form 8-B filed with the SEC on May 25, 1983, including any subsequent amendment or any report filed for the purpose of updating such description; and

The description of our preferred share purchase rights contained in our Registration Statement on Form 8-A filed with the SEC on June 15, 2000, including any subsequent amendment or any report filed for the purpose of updating such description.

Any statement contained in a document incorporated by reference in this document shall be deemed to be modified or superseded for purposes of this document to the extent that a statement contained herein or in any other subsequently filed document that also is incorporated by reference in this document modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

Table of Contents

Notwithstanding the foregoing, we are not incorporating by reference information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits, nor in any document or information deemed to have been furnished and not filed in accordance with SEC rules.

You may request a copy of these filings, other than exhibits to those documents that are not specifically incorporated by reference in this prospectus supplement and the accompanying prospectus, at no cost, by writing or calling us at:

Smith International, Inc.
1310 Rankin Road
Houston, TX 77073
Attention: Investor Relations
Telephone: (281) 443-3370

We maintain a website which can be found at http://www.smith.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and the amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available on our website. Unless specifically incorporated by reference in this prospectus supplement or the accompanying prospectus, information that you may find on our website is not part of this prospectus supplement.

Table of Contents

Summary

This summary highlights selected information from this prospectus supplement, the accompanying prospectus or the documents incorporated by reference and should be read together with the information contained in other parts of this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference. You should read carefully the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. You should read Risk factors beginning on page S-4 of this prospectus supplement for more information about important risks that you should consider before buying the common stock to be issued in connection with this offering.

Smith International, Inc.

Smith International, Inc. is a leading global provider of premium products and services used during the drilling, completion and production phases of oil and natural gas development activities. We have experienced significant business growth influenced by a combination of technology investment, geographic and product expansion and strategic acquisitions.

Our business is segregated into three operating segments, M-I SWACO, Smith Oilfield and Distribution, which is the basis upon which we report our results. We provide a comprehensive line of technologically-advanced products and engineering services, including drilling and completion fluid systems, solids-control and separation equipment, waste-management services, oilfield production chemicals, three-cone and diamond drill bits, borehole enlargement services, tubulars, packers, liner hangers, fishing services, casing exit and multilateral systems, drilling-related product technologies, including directional drilling, measurement-while-drilling and logging-while-drilling services, and well completion and production products and services, including coiled tubing services, cased-hole wireline and other related applications. We also offer supply-chain management solutions through an extensive North American branch network providing pipe, valves and fittings as well as mill, safety and other maintenance products.

Smith International, Inc. was incorporated in the State of California in January 1937 and reincorporated under Delaware law in May 1983. Our executive offices are headquartered at 1310 Rankin Road, Houston, Texas 77073 and our telephone number is (281) 443-3370.

Table of Contents

The offering

The following summary contains basic information about this offering. The summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this document. For a more detailed description of our common stock, see Description of Capital Stock Common Stock in the accompanying prospectus.

Issuer	Smith International, Inc.
Common stock offered	28,000,000 shares of common stock, par value $1.00 per share, including associated preferred share purchase rights.
Over-allotment option	We have granted the underwriters an option exercisable for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 4,200,000 shares of common stock at the public offering price, less the underwriting discount.
Common stock outstanding immediately following this offering	247,411,172 shares[1]
NYSE symbol	SII
Use of proceeds	We estimate that the net proceeds from the sale of the shares of common stock in this offering will be approximately 717.4 million (or approximately $825.1 million if the underwriters option is exercised in full), after deducting the underwriting discount and estimated offering expenses. We expect to use the net proceeds from the sale of our common stock for debt repayment, general corporate purposes, and funding of potential acquisitions or investments. For more information, see Use of Proceeds .
Dividend policy	Smith has in the past paid regular cash dividends to the holders of our common stock and currently intends to continue paying regular dividends. However, we are not required to do so and may reduce or eliminate dividends on our common stock at any time. The level of future dividend payments will be at the discretion of the Company s Board of Directors and will depend upon the Company s financial condition, earnings, cash flows, compliance with certain debt covenants and other relevant factors.

[1] The number of shares of common stock shown as being outstanding after this offering is based on the number of shares outstanding as of November 13, 2009 and the issuance by us of 28,000,000 shares of common stock in this offering. Such number excludes (1) 17,690,730 shares held as treasury shares, (2) 4,200,000 shares of common stock issuable pursuant to the exercise of the underwriters option, and (3) 7,080,047 shares reserved for issuance under our stock compensation plans and awards thereunder.

Table of Contents

Certain U.S. federal income tax considerations for non-U.S. holders	For a discussion of certain U.S. federal income tax consequences of the ownership and disposition of shares of our common stock by non-U.S. holders, see Certain U.S. federal income tax considerations for non-U.S. holders.
Risk factors	See Risk factors and the other information included or incorporated by reference in this document for a discussion of certain factors you should carefully consider before deciding to invest in shares of our common stock.
Underwriting (Conflicts of interest)	Certain of the underwriters and their affiliates are lenders under our credit agreement dated August 20, 2008 among us, the lenders thereto, Fortis Bank, SA/NV, New York Branch, Wells Fargo Bank, N.A., Calyon New York Branch, DNB Nor Bank ASA, and The Royal Bank of Scotland, Plc. (the term loan due 2012). We intend to use a portion of the net proceeds of this offering to repay some of the indebtedness outstanding under the term loan due 2012. Because more than 5% of the net proceeds of this offering may be paid to the underwriters and their affiliates as lenders under the issuer s outstanding term loan due 2012, this offering will be made in accordance with Rule 2720(a) of the Financial Industry Regulatory Authority, Inc.

Table of Contents

Risk factors

An investment in our common stock involves risks. Before making a decision to invest in the common stock offered hereby, you should carefully consider the risks described below, the risk factors included in Part I, Item 1A Risk Factors in our annual report on Form 10-K for the year ended December 31, 2008 and Item 1A, Risk Factors of Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, together with all of the other information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. The risks and uncertainties described below and incorporated by reference into this document are not the only ones related to our business, our common stock or the offering. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business operations, results of operations, financial condition or prospects. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially adversely affected. In addition, the trading price of the shares of our common stock could decline due to the materialization of any of these risks, and you may lose all or part of your investment.

Risks related to our common stock

The common stock is an equity security and is subordinate to our existing and future indebtedness.

The shares of our common stock are equity interests. This means the shares of common stock will rank junior to our indebtedness and to other non-equity claims on us and our assets available to satisfy claims on us, including claims in a bankruptcy or similar proceeding. Our existing and future indebtedness may restrict payment of dividends on the common stock. At September 30, 2009, our outstanding long-term debt (including current portions thereof) was approximately $2,321 million. We may in the future incur additional indebtedness, to which the common stock would also be subordinate.

Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of common stock, (1) dividends are payable only when and if declared by our board of directors and (2) as a corporation, we are restricted to making dividend payments and redemption payments only as permitted by law. Further, the common stock places no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the voting rights available to stockholders generally.

Fluctuations in the price of our common stock may make our common stock more difficult to resell and could cause the value of your investment to decline.

The market price and trading volume of our common stock have been and may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding the industry in which we operate, our operations, business prospects or liquidity or this offering. During the period from January 1, 2009 to November 17, 2009, the daily closing sale price of our common stock has fluctuated from a high of $33.81 per share to a low of $18.92 per share. In addition to the risk factors discussed in our periodic reports and elsewhere in this document, the price and volume volatility of our common stock may be affected by:

- changes in financial estimates by securities analysts, or our inability to meet or exceed securities analysts or investors estimates or expectations;
- actual or anticipated sales of common stock by existing stockholders, whether in the market or in subsequent public offerings;
- capital commitments;
- additions or departures of key personnel;
- general economic and business conditions;
- actual and perceived changes in the supply of and demand for oil and natural gas;
- developments in our business or in our industry generally;
- armed conflict, war or terrorism;
- changes in market valuations of other companies in our industry;
- the operating and securities price performance of companies that investors consider to be comparable to us; and
- announcements of strategic developments, acquisitions and other material events by us or our competitors.

Stock markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock, make it difficult to predict the market price of our common stock in the future and cause the value of your investment to decline.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

Except as described under Underwriting, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. We are offering 28,000,000 shares of common stock (or 32,200,000 if the underwriters option is exercised in full). The issuance of additional shares of our common stock in this offering or other issuances of our common stock or convertible or other equity-linked securities, including options and warrants, or otherwise, will dilute the ownership interest of our common stockholders. As of November 13, 2009, we had 219,411,172 outstanding shares of common stock (not including 17,690,730 shares of common stock held in treasury) and (1) 1,083,071 shares of common stock issuable upon the exercise of stock options outstanding under our stock compensation plans with a weighted average exercise price of $19.85, (2) 4,128,298 shares of common stock issuable upon vesting of performance-based and time-based restricted stock unit awards and (3) 1,868,678 shares of common stock available for future stock award grants.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Although we have paid cash dividends in the past, we may not pay cash dividends in the future.

Although Smith has in the past paid regular cash dividends to the holders of our common stock and currently intends to continue paying regular dividends, we are not required to do so and may reduce or eliminate dividends on our common stock in the future. The level of future dividend payments will be at the discretion of the Company s Board of Directors and will depend upon the Company s financial condition, earnings, cash flows, compliance with certain debt covenants and other relevant factors. Accordingly, there can be no assurance that we will pay dividends even if sufficient cash is available for distribution.

Provisions in our charter documents and stockholder rights agreement may impede or discourage a takeover, which could impair the market price of our common stock.

Our charter documents and our stockholder rights agreement contain various provisions which may create impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. In addition, under our charter documents our board of directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock. Thus, certain provisions of our charter documents and our rights agreement could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock.

Our issuance of preferred stock could adversely affect holders of common stock.

Our board of directors is authorized to issue series of preferred stock without any action on the part of our holders of common stock. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting powers, preferences over our common stock with respect to dividends or if we voluntarily or involuntarily dissolve or distribute our assets and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the price of our common stock could be adversely affected.

Management will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

We currently intend to use the net proceeds from this offering for repayment of debt, general corporate purposes, and funding of potential acquisitions or investments, although we have no current commitments or agreements with respect to any material repayments, investments or acquisitions as of the date of this prospectus supplement. Our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. However, there is no guarantee the proceeds will be used in a manner that yields a favorable return or any at all.

Table of Contents

Risks related to our business

The significant deterioration in the global business environment and related factors could adversely impact our financial condition, results of operations and prospects.

The deterioration in the global business environment has led to a significant reduction in commodity prices compared to one year ago, which has contributed to lower cash flow generation for oil and natural gas exploration and production companies. In addition, a reduction in the availability and increased cost of financing has had a significant impact on a number of our customers. These factors could contribute to a material decline in our customers spending levels which may continue or accelerate. In response to such decline, we must manage our costs, including our workforce levels, to match the decline. A continued reduction in the level of future investment or our inability to reduce our costs sufficiently to match the material slowdown in drilling activity could have a material adverse effect on our results of operations, financial condition, prospects and cash flows.

Moreover, if the business environment experiences a significant deterioration from current levels, we may be required to record a goodwill impairment loss, which could have a material adverse effect on our results of operations and financial condition and our compliance with applicable debt covenants.

The financial and credit market environment may limit our ability to expand our business through acquisitions and to fund necessary expenditures.

The global financial and credit market environment has limited the availability of financing and increased costs when available. Any inability to access the credit and capital markets could limit our ability to make significant business acquisitions and pursue business opportunities. Both we and our M-I SWACO joint venture partner can offer to sell to the other party its entire ownership interest in the joint venture in exchange for a cash purchase price specified by the offering partner. If the initiating partner s offer to sell is not accepted, such party is obligated to purchase the other party s interest at the same valuation per interest. If we agree to purchase our partner s joint venture interest, whether pursuant to these provisions or otherwise, we would need to fund the transaction. Our funding could include issuing equity, resulting in dilution to our existing stockholders, obtaining additional debt, which may require waivers of applicable debt covenants, or obtaining other financing, as well as using available cash to fund the purchase. This financing and/or use of cash could impact our ability to fund working capital requirements, make capital expenditures and investments or fund other general corporate requirements, and could limit our ability to make future acquisitions. Should we instead not purchase the other party s interest, we would no longer have an interest in the joint venture. The failure to pursue significant acquisition opportunities, or the consequences of seeking waivers, issuing equity or obtaining other financing, could have a material adverse effect on our future results of operations, financial condition and cash flows.

Our level of leverage and debt service obligations, which may increase in the future, could adversely affect our results of operations, financial condition and prospects.

At September 30, 2009, our outstanding long-term debt and capital lease obligations (including current portions thereof) totaled approximately $2,321 million. Our existing $400 million unsecured revolving credit facility and our existing $375 million unsecured revolving credit facility, both of which are currently undrawn, expire on May 5, 2010 and July 23, 2010, respectively, and

Table of Contents

in connection with our efforts to replace or extend such facilities, we expect to seek to increase the amount available thereunder. We may also borrow funds under such facilities or their replacements or incur additional debt, which may or may not be secured, in order to fund operations, investments, or acquisitions, improve liquidity, refinance existing debt, or for other corporate purposes. Our current or future level of debt and debt service obligations could also, among other things, limit our ability to obtain additional financing or renew existing financing at maturity on satisfactory terms; increase our vulnerability to general economic downturns, competition and industry conditions; result in a downgrade of our credit ratings; increase our exposure to rising interest rates to the extent any of our borrowings are at variable interest rates; and/or reduce the availability of our cash flow to fund our operations and other corporate initiatives.

We are dependent on the level of oil and natural gas exploration and development activities.

Demand for our products and services is dependent upon the level of oil and natural gas exploration and development activities. The level of worldwide oil and natural gas development activities is primarily influenced by the price of oil and natural gas, as well as price expectations. The current state of world economies could lead to further weakness in exploration and production spending levels, further reducing demand for our products and services and adversely impacting future results. In addition to oil and natural gas prices, the following factors impact exploration and development activity and may lead to significant changes in worldwide activity levels:

- overall level of global economic growth and activity;
- actual and perceived changes in the supply of and demand for oil and natural gas;
- political stability and policies of oil-producing countries;
- finding and development costs of operators;
- decline and depletion rates for oil and natural gas wells; and
- seasonal weather conditions that temporarily curtail drilling operations.

Changes in any of these factors could adversely impact our financial condition, results of operations, prospects or cash flows.

A significant portion of our revenue is derived in markets outside of North America.

We are a multinational oilfield service company and generate the majority of our oilfield revenues in markets outside of North America. Changes in conditions within certain countries that have historically experienced a high degree of political and/or economic instability could adversely impact our operations in such countries and as a result our financial condition, results of operations, prospects or cash flows. Additional risks inherent in our non-North American business activities include:

- changes in political and economic conditions in the countries in which we operate, including civil uprisings, riots and terrorist acts;
- unexpected changes in regulatory requirements affecting oil and natural gas exploration and development activities;

Table of Contents

fluctuations in currency exchange rates and the value of the U.S. dollar;

restrictions on repatriation of earnings or expropriation of property without fair compensation;

governmental actions that result in the deprivation of contract or proprietary rights in the countries in which we operate; and

governmental sanctions.

We operate in a highly technical and competitive environment.

We operate in a highly competitive business environment. Accordingly, demand for our products and services is largely dependent on our ability to provide leading-edge, technology-based solutions that reduce the operator s overall cost of developing energy assets and to commercialize performance-driven new technology. If competitive or other market conditions impact our ability to continue providing superior-performing product offerings, our financial condition, results of operations, prospects or cash flows could be adversely impacted.

Regulatory compliance costs and liabilities could adversely impact our earnings and cash available for operations.

We are exposed to a variety of federal, state, local and international laws and regulations relating to matters such as the use of hazardous materials, health and safety, labor and employment, import/export control, currency exchange, bribery, corruption and taxation, and the environment, including laws and regulations governing air emissions, wastewater discharges and waste management. These laws and regulations are complex, change frequently and have tended to become more stringent over time. In the event the scope of these laws and regulations expand in the future, the incremental cost of compliance could adversely impact our financial condition, results of operations, prospects or cash flows. For example, the adoption of more stringent laws and regulations that curtailed either directly or indirectly the level of oil and natural gas exploration and development activities could adversely affect our operations by limiting demand for our products and services.

Our industry is experiencing more litigation involving claims of infringement of intellectual property rights.

Over the past few years, the industry in which we operate has experienced increased litigation related to the infringement of intellectual property rights. Although no material matters are pending or threatened at this time, we, as well as certain of our competitors, have been named as defendants in various intellectual property matters in the past. These types of claims are typically costly to defend, involve the risk of monetary judgments that, in certain circumstances, are subject to being enhanced and are often brought in venues that have proved to be favorable to plaintiffs. If we are served with any intellectual property claims that we are unsuccessful in defending, it could adversely impact our results of operations, financial condition, prospects and cash flows.

Table of Contents

Our business operations in countries outside the United States are subject to a number of U.S. federal laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act as well as trade sanctions administered by the Office of Foreign Assets Control and the Commerce Department.

Our business operations in countries outside the United States are subject to a number of U.S. federal laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act (FCPA) as well as trade sanctions administered by the Office of Foreign Assets Control (OFAC) and the Commerce Department. The FCPA is intended to prohibit bribery of foreign officials or parties and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies transactions. OFAC and the Commerce Department administer and enforce economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of our employees or restrictions on our operations. We are actively pursuing the termination of all business activities in Iran and Sudan. We are conducting a review of the business activities involving Iran and Sudan. While the nature and scope of issues that may emerge from this review are yet to be determined, there is a risk that we could identify violations of U.S. sanctions laws, which if pursued by regulatory authorities, could result in administrative or criminal penalties which in certain circumstances could be material.

Table of Contents

Forward-looking statements

Certain matters discussed in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. These forward-looking statements can generally be identified as such because of the context of the statement or because the statement will include words such as we intend, plan, may, should, will, anticipate, believe, could, estimate, expect, continue, opportunity, project, or similar terms or words of similar import. Similarly, statements that describe our future plans, objectives or goals or future revenues or other financial metrics are also forward-looking statements. These statements are based on certain assumptions and analyses that we believe are appropriate under the circumstances. Management believes these forward-looking statements are reasonable. However, we cannot guarantee that we actually will achieve these plans, intentions or expectations. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any of them in light of new information, future events or otherwise. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those anticipated as of the date of this prospectus supplement, the accompanying prospectus or the documents we incorporate by reference herein and therein, as applicable. These risks, uncertainties and factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- overall demand for and pricing of the Company s products and services;
- actual and perceived changes in the supply of and demand for oil and natural gas;
- the deterioration in the global business environment;
- general economic and business conditions;
- the financial and credit market environment;
- our ability to identify and finance acquisition opportunities;
- the level of oil and natural gas exploration and development activities;
- global economic growth and activity;
- political and economic stability of oil-producing countries and the countries within which Smith operates;
- finding and development costs of operations;
- decline and depletion rates for oil and natural gas wells;
- seasonal weather conditions;
- compliance with domestic and international regulations in the markets we serve;
- increased levels of intellectual property infringement litigation in our industry;

fluctuations in currency exchange rates and the value of the U.S. dollar;

competitive or other market and industry conditions; and

changes in laws or regulations.

Other factors and assumptions not identified above also were involved in the derivation of the forward-looking statements. While it is not possible to identify all factors, our forward-looking statements are subject to the above risk factors and other risk factors that include, but are not limited to, those discussed in the Risk factors section beginning on page S-4 of this prospectus supplement, as well as additional disclosures described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, including the information in Item 1A, Risk Factors of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Item 1A, Risk Factors of Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, many of which are beyond our ability to control or predict. The risks described in the Risk factors section of this prospectus supplement and the failure of other assumptions to be realized could cause our actual results to differ materially from those described in, or otherwise implied by, the forward-looking statements.

These risks and uncertainties should be considered in evaluating these forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section. You should not unduly rely on these forward-looking statements, which speak only as of the date such statements are made and for which we assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You should, however, review the factors and risks we describe in the reports we file from time to time with the SEC.

Table of Contents

Use of proceeds

We estimate that the net proceeds from the sale of common stock in this offering will be approximately $717.4 million, based on an offering price of $26.50 per share, or $825.1 million if the underwriters option is exercised in full, in each case after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds from this offering for debt repayment (including partial repayment of our term loan due June 2012, which carries interest at a Eurodollar rate of LIBOR plus 70 basis points), general corporate purposes, and funding of potential acquisitions or investments, although we have no current commitments or agreements with respect to any material repayments, investments or acquisitions as of the date of this prospectus supplement. We are undertaking this offering in order to have additional liquid assets available for these purposes and to provide us with additional financial and strategic flexibility.

Table of Contents

Capitalization

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2009 on:

- an actual basis; and

- an as adjusted basis to give effect to the sale of the shares of common stock offered hereby and partial repayment of our term loan due June 2012 (at an offering price of $26.50 per share and assuming no exercise of the underwriters option for this offering).

You should read the following table in conjunction with (1) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and (2) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto contained in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009, all of which are incorporated by reference in this prospectus supplement.

	As of September 30, 2009	
(in thousands)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 281,497	$ 391,497
Short-term borrowings and current portion of long-term debt	322,874	72,874
Long-term debt:		
Notes, net of unamortized discounts	1,493,539	1,493,539
Revolving credit facilities		
Term loans	827,221	219,836
Less Current portion of long-term debt	(271,350)	(21,350)
Long-term debt	2,049,410	1,692,025
Total debt, including current portion	2,372,284	1,764,899
Stockholders equity:		
Preferred stock, $1.00 par value; 5,000 shares authorized; no shares issued		
Common stock, $1.00 par value; 500,000 shares authorized; 237,000 and 265,000 shares issued	237,000	265,000
Additional paid-in capital &nbs		