

LSB INDUSTRIES INC
Form 10-Q
October 30, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended September 30, 2017

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 1-7677

LSB Industries, Inc.

(Exact name of Registrant as specified in its charter)

Delaware 73-1015226
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107
(Address of principal executive offices) (Zip Code)

(405) 235-4546

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(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

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 Exchange Act).

Yes No

The number of shares outstanding of the Registrant's common stock was 28,405,103 shares as of October 27, 2017.

FORM 10-Q OF LSB INDUSTRIES, INC.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

LSB INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Information at September 30, 2017 is unaudited)

	September 30, 2017	December 31, 2016
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$53,065	\$60,017
Accounts receivable, net	44,922	51,299
Inventories:		
Finished goods	17,153	19,036
Raw materials	4,847	3,903
Total inventories	22,000	22,939
Supplies, prepaid items and other:		
Prepaid insurance	1,606	11,217
Precious metals	8,491	8,648
Supplies	27,081	24,100
Prepaid and refundable income taxes	2,202	1,193
Other	2,746	1,733
Total supplies, prepaid items and other	42,126	46,891
Total current assets	162,113	181,146
Property, plant and equipment, net	1,020,638	1,078,958
Intangible and other assets, net	12,142	10,316
	\$1,194,893	\$1,270,420

(Continued on following page)

LSB INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

(Information at September 30, 2017 is unaudited)

	September 30, 2017	December 31, 2016
	(In Thousands)	
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$49,018	\$54,246
Short-term financing	—	8,218
Accrued and other liabilities	29,185	44,037
Current portion of long-term debt	9,336	13,745
Total current liabilities	87,539	120,246
Long-term debt, net	401,077	406,475
Noncurrent accrued and other liabilities	11,858	12,326
Deferred income taxes	82,069	93,831
Commitments and contingencies (Note 8)		
Redeemable preferred stocks:		
Series E 14% cumulative, redeemable Class C preferred stock, no par value, 210,000 shares issued; 139,768 outstanding; aggregate liquidation preference of \$179,036,000 (\$161,788,000 at December 31, 2016)		
	167,129	145,029
Series F redeemable Class C preferred stock, no par value, 1 share issued and outstanding; aggregate liquidation preference of \$100		
	—	—
Stockholders' equity:		
Series B 12% cumulative, convertible preferred stock, \$100 par value; 20,000 shares issued and outstanding		
	2,000	2,000
Series D 6% cumulative, convertible Class C preferred stock, no par value; 1,000,000 shares issued and outstanding		
	1,000	1,000
Common stock, \$.10 par value; 75,000,000 shares authorized, 31,280,685 shares issued		
	3,128	3,128
Capital in excess of par value	195,206	192,172
Retained earnings	263,130	314,301
	464,464	512,601

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Less treasury stock, at cost:

Common stock, 2,875,582 shares (3,004,855 shares at December 31, 2016)	19,243	20,088
Total stockholders' equity	445,221	492,513
	\$1,194,893	\$1,270,420

See accompanying notes.

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LSB INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	September 30, Three Months Ended		September 30, Nine Months Ended	
	2017	2016	2017	2016
	(In Thousands, Except Per Share Amounts)			
Net sales	\$92,390	\$80,262	\$338,587	\$289,216
Cost of sales	99,675	116,641	322,917	329,630
Gross profit (loss)	(7,285)	(36,379)	15,670	(40,414)
Selling, general and administrative expense	7,975	9,962	26,752	31,730
Other expense (income), net	103	(409)	2,258	(20)
Operating loss	(15,363)	(45,932)	(13,340)	(72,124)
Interest expense, net	9,291	13,333	27,941	21,129
Non-operating other expense (income), net	(844)	2,451	(409)	437
Loss from continuing operations before benefit				
for income taxes	(23,810)	(61,716)	(40,872)	(93,690)
Benefit for income taxes	(6,698)	(22,226)	(10,741)	(30,747)
Loss from continuing operations	(17,112)	(39,490)	(30,131)	(62,943)
Income from discontinued operations, net of taxes	—	173,041	—	196,644
Net income (loss)	(17,112)	133,551	(30,131)	133,701