

LSB INDUSTRIES INC
Form 10-Q
May 08, 2014
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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 March 31, 2014

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

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Delaware
State or other jurisdiction of

73-1015226
I.R.S. Employer

incorporation or organization

Identification No.

16 South Pennsylvania Avenue, Oklahoma City, Oklahoma
Address of principal executive offices

73107
Zip Code

(405) 235-4546

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" and "smaller reporting 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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of the Registrant's voting common stock, as of April 30, 2014 was 22,535,813 shares, excluding 4,320,462 shares held as treasury stock.

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements****LSB INDUSTRIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Information at March 31, 2014 is unaudited)**

	March 31, 2014	December 31, 2013
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 162,783	\$ 143,750
Accounts receivable, net	90,610	80,570
Inventories:		
Finished goods	26,819	29,163
Work in progress	2,835	2,838
Raw materials	27,581	23,871
Total inventories	57,235	55,872
Supplies, prepaid items and other:		
Prepaid insurance	11,301	15,073
Precious metals	12,986	14,927
Supplies	14,435	13,523
Prepaid income taxes	4,403	12,644
Other	5,517	3,867
Total supplies, prepaid items and other	48,642	60,034
Deferred income taxes	11,409	13,613
Total current assets	370,679	353,839
Property, plant and equipment, net	451,184	416,801
Other assets:		
Noncurrent restricted cash and cash equivalents	246,080	80,974
Noncurrent restricted investments		209,990
Debt issuance costs, net	7,657	8,027
Other, net	14,705	13,466
Total other assets	268,442	312,457
	\$ 1,090,305	\$ 1,083,097

(Continued on following page)

Table of Contents**LSB INDUSTRIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (continued)****(Information at March 31, 2014 is unaudited)**

	March 31, 2014	December 31, 2013
	(In Thousands)	
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 68,630	\$ 61,775
Short-term financing	9,676	13,749
Accrued and other liabilities	38,318	49,107
Current portion of long-term debt	9,748	9,262
Total current liabilities	126,372	133,893
Long-term debt	452,136	453,705
Noncurrent accrued and other liabilities	17,437	17,086
Deferred income taxes	70,493	66,698
Commitments and contingencies (Note 9)		
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, 26,855,450 shares issued (26,846,470 at December 31, 2013)	2,686	2,685
Capital in excess of par value	168,360	167,550
Retained earnings	278,195	266,854
	452,241	440,089
Less treasury stock, at cost:		
Common stock, 4,320,462 shares	28,374	28,374
Total stockholders equity	423,867	411,715
	\$ 1,090,305	\$ 1,083,097

See accompanying notes.

Table of Contents**LSB INDUSTRIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****Three Months Ended March 31, 2014 and 2013**

	2014	2013
	(In Thousands, Except Per Share Amounts)	
Net sales	\$ 178,525	\$ 150,679
Cost of sales	129,803	125,257
Gross profit	48,722	25,422
Selling, general and administrative expense	27,658	24,491
Provision for (recovery of) losses on accounts receivable	(159)	100
Property insurance recoveries in excess of losses incurred	(5,147)	
Other expense, net	509	1,068
Operating income (loss)	25,861	(237)
Interest expense, net	6,708	731
Non-operating other expense (income), net	(77)	16
Income (loss) from continuing operations before provision (benefit) for income taxes and equity in earnings of affiliate	19,230	(984)
Provision (benefit) for income taxes	7,654	(745)
Equity in earnings of affiliate	(67)	(171)
Income (loss) from continuing operations	11,643	(68)
Net loss from discontinued operations	2	
Net income (loss)	11,641	(68)
Dividends on preferred stocks	300	300
Net income (loss) applicable to common stock	\$ 11,341	\$ (368)
Weighted-average common shares:		
Basic	22,533	22,424
Diluted	23,640	22,424
Income (loss) per common share:		
Basic	\$ 0.50	\$ (0.02)
Diluted	\$ 0.49	\$ (0.02)

See accompanying notes.

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LSB INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(unaudited)

Three Months Ended March 31, 2014

	Common Stock Shares	Non-Redeemable Preferred Stock	Common Stock Par Value	Capital in Excess of Par Value (In Thousands)	Retained Earnings	Treasury Stock- Common	Total
Balance at December 31, 2013	26,846	\$ 3,000	\$ 2,685	\$ 167,550	\$ 266,854	\$ (28,374)	\$ 411,715
Net income					11,641		11,641
Dividends paid on preferred stocks					(300)		(300)
Stock-based compensation				433			433
Exercise of stock options	9		1	77			78
Excess income tax benefit associated with stock-based compensation				300			300
Balance at March 31, 2014	26,855	\$ 3,000	\$ 2,686	\$ 168,360	\$ 278,195	\$ (28,374)	\$ 423,867

See accompanying notes.

Table of Contents**LSB INDUSTRIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****Three Months Ended March 31, 2014 and 2013**

	2014	2013
	(In Thousands)	
Cash flows from continuing operating activities		
Net income (loss)	\$ 11,641	\$ (68)
Adjustments to reconcile net income (loss) to net cash provided (used) by continuing operating activities:		
Net loss from discontinued operations	2	
Deferred income taxes	5,999	340
Gains on property insurance recoveries associated with property, plant and equipment	(5,147)	
Depreciation, depletion and amortization of property, plant and equipment	8,679	6,550
Other	(113)	619
Cash provided (used) by changes in assets and liabilities (net of effects of discontinued operations):		
Accounts receivable	(9,876)	(9,796)
Inventories	150	(5,368)
Prepaid and accrued income taxes		