Huntsman CORP Form 10-Q October 28, 2016

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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 001-32427	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number Huntsman Corporation	State of Incorporation or Organization Delaware	I.R.S. Employer Identification No. 42-1648585
	10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Domini	12 10 100 00
333-85141	Huntsman International LLC 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	87-0630358

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.

Huntsman Corporation	YES ý	NO o
Huntsman International LLC	YES ý	NO o

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).

Huntsman Corporation	YES ý	NO o
Huntsman International LLC	YES ý	NO o

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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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

	Huntsman Corporation	Large accelerate filer ý	ed Accelerated filer o	d Non-accelerated filer o	Smaller reporting company o
	Huntsman	Large accelerate	ed Accelerated	(Do not check if a smaller reporting company) d Non-accelerated	Smaller reporting
	International LLC	filer o	filer o	filer ý	company o
				(Do not check if a smaller reporting company)	
Indicate by ch	eck mark whether the reg	gistrant is a shell	company (as de	fined in Rule 12b-2 of the	e Exchange Act).
Huntsman Corporat Huntsman Internatio			NO ý NO ý		

On October 19, 2016, 238,156,779 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no trading market for Huntsman International LLC's units of membership interests. All of Huntsman International LLC's units of membership interests are held by Huntsman Corporation.

This Quarterly Report on Form 10-Q presents information for two registrants: Huntsman Corporation and Huntsman International LLC. Huntsman International LLC is a wholly-owned subsidiary of Huntsman Corporation and is the principal operating company of Huntsman Corporation. The information reflected in this Quarterly Report on Form 10-Q is equally applicable to both Huntsman Corporation and Huntsman International LLC, except where otherwise indicated. Huntsman International LLC meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and, to the extent applicable, is therefore filing this form with a reduced disclosure format.

HUNTSMAN CORPORATION AND SUBSIDIARIES HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Amounts)

	-	ptember 30, 2016		ember 31, 2015
ASSETS				
Current assets:				
Cash and cash equivalents(a)	\$	439	\$	257
Restricted cash(a)		11		12
Accounts and notes receivable (net of allowance for doubtful accounts of \$29 and \$26, respectively), (\$473 and \$438				
pledged as collateral, respectively)(a)		1,456		1,420
Accounts receivable from affiliates		10		29
Inventories(a)		1,444		1,692
Prepaid expenses		75		112
Current assets held for sale		31		
Other current assets(a)		317		312
Total current assets		3,783		3,834
Property, plant and equipment, net(a)		4,298		4,446
Investment in unconsolidated affiliates		337		347
Intangible assets, net(a)		97		86
Goodwill		123		116
Deferred income taxes		404		418
Noncurrent assets held for sale		90		
Other noncurrent assets(a)		575		573
Total assets	\$	9,707	\$	9,820

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LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 999	\$ 1,034
Accounts payable to affiliates	27	27
Accrued liabilities(a)	655	686
Current portion of debt(a)	88	170
Current liabilities held for sale	20	
Total current liabilities	1,789	1,917
Long-term debt(a)	4,468	4,625
Notes payable to affiliates	1	1
Deferred income taxes	471	422
Noncurrent liabilities held for sale	10	
Other noncurrent liabilities(a)	1,197	1,226
Total liabilities	7,936	8,191
Commitments and contingencies (Notes 12 and 13)		
Equity		
Huntsman Corporation stockholders' equity:		

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Common stock \$0.01 par value, 1,200,000,000 shares authorized, 250,764,002 and 249,483,541 shares issued and		
236,316,932 and 237,080,026 shares outstanding, respectively		
Additional paid-in capital	3,445	3,407
Treasury stock, 12,607,223 and 11,162,454 shares, respectively	(150)	(135)
Unearned stock-based compensation	(21)	(17)
Accumulated deficit	(423)	(528)
Accumulated other comprehensive loss	(1,266)	(1,288)
Total Huntsman Corporation stockholders' equity	1,588	1,442
Noncontrolling interests in subsidiaries	183	187
Total equity	1,771	1,629
Total liabilities and equity	\$ 9,707 \$	9,820

(a)

At September 30, 2016 and December 31, 2015, respectively, \$25 and \$34 of cash and cash equivalents, \$10 and \$12 of restricted cash, \$28 and \$26 of accounts and notes receivable (net), \$42 and \$54 of inventories, \$6 and \$5 of other current assets, \$291 and \$307 of property, plant and equipment (net), \$32 and \$36 of intangible assets (net), \$38 each of other noncurrent assets, \$69 and \$82 of accounts payable, \$30 and \$27 of accrued liabilities, \$20 and \$15 of current portion of debt, \$114 and \$137 of long-term debt, and \$56 and \$54 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 4. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

	Three months ended September 30,			1	Nine n enc Septem	led	
	2016 2015		2015 2016				015
Revenues:							
Trade sales, services and fees, net	\$ 2,334	\$	2,605	\$ [°]	7,167	\$	7,862
Related party sales	29		33		95		105
Total revenues	2,363		2,638	,	7,262		7,967
Cost of goods sold	1,965		2,050		5,991		6,495
							==
Gross profit	398		473		1,271		1,472
Operating expenses:	221		222		(70		707
Selling, general and administrative	221		232		678		727
Research and development	38		41		114		124
Other operating (income) expense, net	(24)		17		(40)		8
Restructuring, impairment and plant closing costs	45		14		87		221
Total expenses	280		304		839		1,080
Operating income	118		169		432		392
Interest expense	(52)		(49)		(152)		(158)
Equity in income of investment in unconsolidated affiliates	1				4		5
Loss on early extinguishment of debt	(1)		(8)		(3)		(31)
Other loss	(2)						(2)
Income from continuing operations before income taxes	64		112		281		206
Income tax benefit (expense)	1		(49)		(58)		(85)
.	<i></i>		(2)				101
Income from continuing operations	65		63		223		121
Loss from discontinued operations	(1)				(3)		(4)
Net income	64		63		220		117
Net income attributable to noncontrolling interests	(9)		(8)		(22)		(28)
Net income attributable to Huntsman Corporation	\$ 55	\$	55	\$	198	\$	89

Basic income (loss) per share:				
Income from continuing operations attributable to Huntsman Corporation common				
stockholders	\$ 0.23	\$ 0.23	\$ 0.85	\$ 0.38
Loss from discontinued operations attributable to Huntsman Corporation common				
stockholders, net of tax			(0.01)	(0.02)
Net income attributable to Huntsman Corporation common stockholders	\$ 0.23	\$ 0.23	\$ 0.84	\$ 0.36

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Weighted average shares		236.3		244.2		236.2		244.1
Diluted income (loss) per share:								
Income from continuing operations attributable to Huntsman Corporation common stockholders	\$	0.23	\$	0.22	\$	0.84	\$	0.38
Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax						(0.01)		(0.02)
stockholders, liet of tax						(0.01)		(0.02)
Net income attributable to Huntsman Corporation common stockholders	\$	0.23	\$	0.22	\$	0.83	\$	0.36
Weighted average shares		240.1		246.6		239.1		247.0
Income from continuing operations	\$	56	\$	55	\$	201	\$	93
Loss from discontinued operations, net of tax		(1)				(3)		(4)
Net income	\$	55	\$	55	\$	198	\$	89
Dividends per share	\$	0.125	\$	0.125	\$	0.375	\$	0.375
	Ψ	5.125	Ψ	5.125	Ψ	5.575	Ψ	0.070

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In Millions)

	Three months ended September 30,				ended ended			ended			ended end					
	20	016	2	015	2	2016	2	2015								
Net income	\$	64	\$	63	\$ 220		\$	117								
Other comprehensive income (loss), net of tax:																
Foreign currency translations adjustments		15		(96)		(11)		(238)								
Pension and other postretirement benefits adjustments		11		14		35		36								
Other, net		4		(6)		(2)		3								
Other comprehensive income (loss), net of tax		30		(88)		22		(199)								
Comprehensive income (loss)		94		(25)		242		(82)								
Comprehensive income attributable to noncontrolling interests		(9)		(6)		(22)		(21)								
						. ,										
Comprehensive income (loss) attributable to Huntsman Corporation	\$	85	\$	(31)	\$	220	\$	(103)								

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Share Amounts)

Huntsman Corporation Stockholders' Equity

	Shares	Accumulated Additional Unearned other Noncontroll						ncontrolling	7	
	Common stock	Commor stock		Tre	easury stoc		cumulatedcom deficit	prehensive i		Total equity
Balance, January 1, 2016	237,080,026	\$ 3	\$ 3,407	\$	(135) \$	(17) \$	(528) \$	(1,288) \$		\$ 1,629
Net income							198		22	220
Other comprehensive income								22		22
Issuance of nonvested stock awards			17			(17)				
Vesting of stock awards	895,660		2							2
Recognition of stock-based										
compensation			7			13				20
Repurchase and cancellation of										
stock awards	(249,155))					(3)			(3)
Stock options exercised	35,170									
Dividends paid to noncontrolling										
interests									(26)	(26)
Treasury stock repurchased	(1,444,769))	15		(15)					
Excess tax shortfall related to										
stock-based compensation			(3)						(3)
Dividends declared on common										
stock							(90)			(90)
										. ,
Balance, September 30, 2016	236,316,932	\$ 3	\$ 3,445	\$	(150) \$	(21) \$	(423) \$	(1,266) \$	183	\$ 1,771

Balance, January 1, 2015	243,416,979 \$	3 \$	3,385 \$	(50) \$	(14) \$	(493) \$	(1,053) \$	173 \$	1,951
Net income						89		28	117
Other comprehensive loss							(192)	(7)	(199)
Issuance of nonvested stock awards			19		(19)				
Vesting of stock awards	1,037,743		6						6
Recognition of stock-based									
compensation			7		12				19
Repurchase and cancellation of									
stock awards	(304,340)					(7)			(7)
Stock options exercised	48,572		1						1
Dividends paid to noncontrolling									
interests								(6)	(6)
Excess tax benefit related to									
stock-based compensation			1						1
Dividends declared on common									
stock						(92)			(92)
Balance, September 30, 2015	244,198,954 \$	3 \$	3,419 \$	(50) \$	(21) \$	(503) \$	(1,245) \$	188 \$	1,791

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Nine months ended September 30,			
		-	iber 30,	
	2016		2015	
Operating Activities:	<i>•</i>	220		117
Net income	\$	220	\$	117
Adjustments to reconcile net income to net cash provided by operating activities: Equity in income of investment in				(5)
unconsolidated affiliates		(4)		(5)
Depreciation and amortization		322		297
Gain on disposal of businesses/assets, net		(22)		
Loss on early extinguishment of debt		3		31
Noncash interest expense		11		9
Noncash restructuring and impairment charges		11		87
Deferred income taxes		65		(51)
Noncash (gain) loss on foreign currency transactions		(3)		12
Stock-based compensation		25		21
Portion of insurance proceeds representing cash provided by investing activities		(8)		
Other, net		2		2
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts and notes receivable		(6)		(53)
Inventories		246		46
Prepaid expenses		(7)		(13)
Other current assets		(12)		50
Other noncurrent assets		(20)		(92)
Accounts payable		(16)		(111)
Accrued liabilities		39		74
Other noncurrent liabilities		2		(34)
Net cash provided by operating activities		848		387
Investing Activities:				
Capital expenditures		(290)		(454)
Insurance proceeds for recovery of property damage		(290)		(4)4)
Cash received from unconsolidated affiliates		25		33
Investment in unconsolidated affiliates		(23)		(38)
Acquisition of business, net of cash acquired		(23)		(14)
Cash received from purchase price adjustment for business acquired				18
Proceeds from sale of businesses/assets		9		18
		9		
Cash received from termination of cross-currency interest rate contracts		1		66 5
Change in restricted cash		1		3
Net cash used in investing activities		(270)		(383)

(continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

Nine months ended September 30, 2016 2015

Financing Activities: