

AXIALL CORP/DE/
Form 10-Q
November 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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 9753

AXIALL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	58 1563799
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Abernathy Road, Suite 1200, Atlanta, Georgia	30328
(Address of principal executive offices)	(Zip Code)
(770) 395 4500	

(Registrant's telephone number, including area code)

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

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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 (§232.405 of this chapter) 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, non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 3, 2015
Common Stock, \$0.01 par value	70,580,143

AXIALL CORPORATION

FORM 10 Q

QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

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PART I. FINANCIAL INFORMATION.

Item 1. FINANCIAL STATEMENTS.

AXIALL CORPORATION

Condensed Consolidated Balance Sheets

(Unaudited)

(In millions, except share data)	September 30, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	\$ 240.5	\$ 166.8
Receivables, net of allowance for doubtful accounts of \$3.7 million at September 30, 2015 and \$5.6 million at December 31, 2014	446.6	430.6
Inventories	337.3	321.9
Prepaid expenses and other	36.1	89.7
Deferred income taxes	30.6	28.0
Current assets of discontinued operations	57.4	68.2
Total current assets	1,148.5	1,105.2
Property, plant and equipment, net	1,603.7	1,636.1
Goodwill	871.7	1,741.0
Customer relationships, net	967.4	1,024.5
Other intangible assets, net	64.7	68.1
Non-current assets of discontinued operations	-	29.6
Other assets, net	72.4	69.8
Total assets	\$ 4,728.4	\$ 5,674.3
Liabilities and Equity:		
Current portion of long-term debt	\$ 2.5	\$ 2.8
Accounts payable	267.8	264.6
Interest payable	12.8	15.2
Income taxes payable	15.4	3.1
Accrued compensation	44.2	33.3
Other accrued liabilities	109.0	132.5
Current liabilities of discontinued operations	32.4	32.6
Total current liabilities	484.1	484.1
Long-term debt, excluding the current portion of long-term debt	1,381.0	1,327.8
Lease financing obligation	82.2	94.2
Deferred income taxes	703.8	767.5
Pensions and other post-retirement benefits	202.5	250.5
Non-current liabilities of discontinued operations	-	3.8
Other non-current liabilities	141.9	157.4
Total liabilities	2,995.5	3,085.3
Commitments and contingencies		

Equity:

Preferred stock—\$0.01 par value; 75,000,000 shares

authorized; no shares issued

-

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Common stock—\$0.01 par value; shares authorized:

200,000,000 at September 30, 2015 and December 31, 2014;

issued and outstanding: 70,580,143 at September 30, 2015 and

70,196,116 at December 31, 2014

0.7

0.7

Additional paid-in capital

2,284.5

2,284.3

Retained earnings (deficit)

(523.8)

269.8

Accumulated other comprehensive loss, net of tax

(104.4)

(73.7)

Total Axiall stockholders' equity

1,657.0

2,481.1

Noncontrolling interest

75.9

107.9

Total equity

1,732.9

2,589.0

Total liabilities and equity

\$ 4,728.4

\$ 5,674.3

See accompanying notes to unaudited condensed consolidated financial statements.

AXIALL CORPORATION

Condensed Consolidated Statements of Operations

(Unaudited)

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	\$ 874.4	\$ 1,047.2	\$ 2,605.7	\$ 2,905.8
Operating costs and expenses:				
Cost of sales	756.9	888.4	2,259.1	2,519.4
Selling, general and administrative expenses	68.6	78.5	229.2	228.5
Integration-related costs and other, net	2.4	6.8	11.7	19.9
Restructuring and divestiture costs	10.0	1.3	11.4	4.9
Goodwill impairment charges	847.8	-	847.8	-
Total operating costs and expenses	1,685.7	975.0	3,359.2	2,772.7
Operating income (loss)	(811.3)	72.2	(753.5)	133.1
Interest expense, net	(19.6)	(19.5)	(57.9)	(56.9)
Debt refinancing costs	-	-	(3.2)	-
Foreign exchange loss	(0.5)	(0.3)	(1.0)	(0.2)
Income (loss) from continuing operations before income taxes	(831.4)	52.4	(815.6)	76.0
Provision for (benefit from) income taxes	(33.9)	8.9	(29.9)	12.8
Net income (loss) from continuing operations	(797.5)	43.5	(785.7)	63.2
Discontinued operations:				
Income (loss) from discontinued operations	11.0	2.0	11.6	(0.9)
Less: Provision for (benefit from) income taxes of discontinued operations	6.0	0.4	5.3	(0.3)
Net income (loss) from discontinued operations	5.0	1.6	6.3	(0.6)
Consolidated net income (loss)	(792.5)	45.1	(779.4)	62.6
Less: net income (loss) attributable to noncontrolling interest	(22.9)	0.6	(19.8)	2.5
Net income (loss) attributable to Axiall	\$ (769.6)	\$ 44.5	\$ (759.6)	\$ 60.1
Basic earnings (loss) per share attributable to Axiall:				
Earnings (loss) per share from continuing operations	\$ (10.98)	\$ 0.61	\$ (10.88)	\$ 0.87
Earnings (loss) per share from discontinued operations	0.08	0.03	0.09	(0.01)
Earnings (loss) per share attributable to Axiall	\$ (10.90)	\$ 0.64	\$ (10.79)	\$ 0.86
Diluted earnings (loss) per share attributable to Axiall:				
Earnings (loss) per share from continuing operations	\$ (10.98)	\$ 0.61	\$ (10.88)	\$ 0.86

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Earnings (loss) per share from discontinued operations	0.08	0.02	0.09	(0.01)
Earnings (loss) per share Attributable to Axiall	\$ (10.90)	\$ 0.63	\$ (10.79)	\$ 0.85
Weighted average common shares outstanding:				
Basic	70.6	70.2	70.4	70.0
Diluted	70.6	70.6	70.4	70.6
Dividends per common share	\$ 0.16	\$ 0.16	\$ 0.48	\$ 0.48

See accompanying notes to unaudited condensed consolidated financial statements.

AXIALL CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(In millions)	Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Consolidated net income (loss)	\$ (792.5)	\$ 45.1	\$ (779.4)	\$ 62.6
Less: net income (loss) attributable to noncontrolling interest	(22.9)	0.6	(19.8)	2.5
Net income (loss) attributable to Axiall	(769.6)	44.5	(759.6)	60.1
Other comprehensive loss:				
Foreign currency translation adjustments	(46.3)	(27.4)	(69.6)	(29.3)
Derivative cash flow hedges	0.2	1.4	11.2	0.8
Pension and OPEB plan liability adjustments	33.9	(2.3)	31.1	(7.1)
Other comprehensive loss, before income taxes	(12.2)	(28.3)	(27.3)	(35.6)
Provision for (benefit from) income taxes related				
to other comprehensive loss items	5.9	(11.2)	7.2	(13.8)
Other comprehensive loss, net of tax	(18.1)	(17.1)	(34.5)	(21.8)
Other comprehensive loss attributable to noncontrolling interest, net of tax	(6.8)	(1.9)	(3.8)	(3.2)
Other comprehensive loss attributable to Axiall, net of tax	(11.3)	(15.2)	(30.7)	(18.6)
Comprehensive income (loss), net of income taxes	(810.6)	28.0	(813.9)	40.8
Less: comprehensive loss attributable to noncontrolling interest	(29.7)	(1.3)	(23.6)	(0.7)
Comprehensive income (loss) attributable to Axiall	\$ (780.9)	\$ 29.3	\$ (790.3)	\$ 41.5

See accompanying notes to unaudited condensed consolidated financial statements.

AXIALL CORPORATION

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In millions)	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Consolidated net income (loss)	\$(779.4)	\$62.6
Less: net income (loss) from discontinued operations	6.3	(0.6)
Net income (loss) from continuing operations	(785.7)	63.2
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:		
Depreciation	131.6	127.0
Amortization	54.8	56.1
Other long-lived asset impairment charges	0.7	1.0
Goodwill impairment charges	847.8	-
Other	3.0	(0.8)
Deferred income taxes	(70.9)	(35.6)
Change in operating assets and liabilities	(23.0)	(56.9)
Cash provided by operating activities of continuing operations	158.3	154.0
Cash provided by (used in) operating activities of discontinued operations	(3.6)	7.5
Net cash provided by operating activities	154.7	161.5
Cash flows from investing activities:		
Capital expenditures	(116.5)	(139.6)
Acquisitions, net of cash acquired	-	(6.1)
Proceeds from sale of assets and other	8.0	3.9
Cash used in investing activities of continuing operations	(108.5)	(141.8)
Cash provided by (used in) investing activities of discontinued operations	46.4	(6.4)
Net cash used in investing activities	(62.1)	(148.2)
Cash flows from financing activities:		
Borrowings under ABL revolver	-	148.9
Repayments under ABL revolver	-	(148.9)
Issuance of long-term debt	248.8	-
Repayments of long-term debt	(196.8)	(4.9)
Fees paid related to financing activities	(3.5)	(0.6)
Deferred acquisition payments	(10.0)	(10.0)
Dividends paid	(34.4)	(33.8)
Distribution to noncontrolling interest	(8.4)	(7.7)
Share-based compensation plan activity	(6.4)	(4.7)
Net cash used in financing activities	(10.7)	(61.7)
Effect of exchange rate changes on cash and cash equivalents	(8.2)	(4.4)
Net change in cash and cash equivalents	73.7	(52.8)
Cash and cash equivalents at beginning of period	166.8	166.5

Cash and cash equivalents at end of period	\$240.5	\$113.7
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See accompanying notes to unaudited condensed consolidated financial statements.

AXIALL CORPORATION

Notes to the Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. Such adjustments are of a normal, recurring nature.

Our financial condition as of, and our operating results for, the three and nine month periods ended September 30, 2015 are not necessarily indicative of the financial condition and results that may be expected for the full year ending December 31, 2015 or any other interim period.

On September 30, 2015, the Company entered into and consummated an asset purchase agreement (the “Asset Purchase Agreement”) between INEOS Americas LLC (“INEOS”) and Axiall LLC, a wholly-owned subsidiary of the Company, pursuant to which the Company sold its aromatics business to INEOS. The Company concluded that it met the accounting requirements for reporting the financial position, results of operations and cash flows of its former aromatics business as discontinued operations when the sale was consummated. The accompanying unaudited condensed consolidated balance sheets, statements of operations and statements of cash flows for the three and nine months ended September 30, 2015 and 2014, and the related notes to the unaudited condensed consolidated financial statements have been adjusted to reflect the presentation of the results of operations and cash flows of the former aromatics business as discontinued operations. These adjustments primarily related to the discontinued operations of our aromatics business and did not impact the Company’s consolidated net income (loss) attributable to Axiall. Refer to Note 3 for additional information relating to this sale.

During the three months ended September 30, 2015, the Company changed the method used to estimate the interest and service cost components of net periodic cost for its post-retirement benefit plans. See Note 13 for a discussion of this change. There has been no material changes in the significant accounting policies followed by us during the three and nine months ended September 30, 2015 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Annual Report”).

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the audited consolidated financial statements included in the 2014 Annual Report. Unless the context otherwise requires, references to “Axiall,” the “Company,” “we,” “our” or “us,” mean Axiall Corporation and its consolidated subsidiaries.

2. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share from continuing operations attributable to Axiall is based on the weighted-average number of common shares outstanding during the three and nine month periods ended September 30, 2015 and 2014.

Diluted earnings (loss) per share from continuing operations attributable to Axiall is based on the weighted-average number of common shares outstanding during the three and nine month periods ended September 30, 2015 and 2014, adjusted for the dilutive effect of employee share-based compensation and other share-based compensation awards.

Due to the net loss from continuing operations in the three and nine months ended September 30, 2015, all common stock equivalents were excluded from the computation of diluted earnings (loss) per share due to their anti-dilutive effect. Certain of our restricted stock units participate in dividend distributions, however, the distributions for these restricted stock units do not have a material impact on our earnings (loss) per share calculation.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted earnings (loss) per share from continuing operations attributable to Axiall and discontinued operations for the three and nine month periods ended September 30, 2015 and 2014:

(Amounts in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Numerator				
Income (loss) from continuing operations	\$(797.5)	\$43.5	\$(785.7)	\$63.2
Less net income (loss) attributable to noncontrolling interest	(22.9)	0.6	(19.8)	2.5
Income (loss) from continuing operations attributable to Axiall	(774.6)	42.9	(765.9)	60.7
Income (loss) from discontinued operations	5.0	1.6	6.3	(0.6)
Consolidated net income (loss) attributable to Axiall	\$(769.6)	\$44.5	\$(759.6)	\$60.1
Denominator				
Weighted average common shares outstanding, basic	70.6	70.2	70.4	70.0
Dilutive impact of stock options and other share-				
based awards	-	0.4	-	0.6
Weighted average common shares outstanding, diluted	70.6	70.6	70.4	70.6

	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Basic earnings (loss) per share attributable to Axiall:				
Basic earnings (loss) per share from continuing				
operations attributable to Axiall	\$(10.98)	\$0.61	\$(10.88)	\$0.87
Basic earnings (loss) per share from discontinued operations	0.08	0.03	0.09	(0.01)
Basic earnings (loss) per share attributable to Axiall	\$(10.90)	\$0.64	\$(10.79)	\$0.86
Diluted earnings (loss) per share attributable to Axiall:				
Diluted earnings (loss) per share from continuing				
operations attributable to Axiall	\$(10.98)	\$0.61	\$(10.88)	\$0.86
Diluted earnings (loss) per share from discontinued operations	0.08	0.02	0.09	(0.01)
Diluted earnings (loss) per share attributable to Axiall	\$(10.90)	\$0.63	\$(10.79)	\$0.85

3. DISCONTINUED OPERATIONS

On September 30, 2015, the Company entered into and consummated the transactions contemplated by the Asset Purchase Agreement between INEOS and Axiall LLC, a wholly-owned subsidiary of the Company. Pursuant to the Asset Purchase Agreement, INEOS acquired certain assets used in the Company's aromatics business, including but

not limited to, its cumene production facility located in Pasadena, Texas. The Company retained the land and plant at its phenol, acetone and alpha-methylstyrene production facility located in Plaquemine, Louisiana (the “Plaquemine Phenol Facility”), which is part of a broader set of other Axiall facilities located in Plaquemine. In addition, the Company retained the following assets associated with its aromatics business: (i) cash and cash equivalents; (ii) accounts receivable; and (iii) inventory, other than certain raw materials and work-in-process inventory at its Pasadena facility. The Company has discontinued the manufacture of products at its Plaquemine Phenol Facility, and expects to dismantle and shut-down that facility.

At closing, the Company received \$52.4 million in cash which consisted of: (i) the selling price of \$47.4 million, pursuant to which we recorded a pre-tax gain of \$14.1 million on the disposition and a write-down of the assets at our Plaquemine Phenol Facility, the net effect of which is reflected in income (loss) from discontinued operations on our unaudited condensed consolidated statements of operations; and (ii) a \$5.0 million advance toward the cost of decommissioning and dismantling our Plaquemine Phenol Facility. That advance is recorded as an accrued liability in our unaudited condensed consolidated balance sheets. The Company has met certain terms and conditions set forth in the Asset Purchase Agreement that entitle it to receive \$5.5 million of contingent consideration during the fourth quarter of 2015. The Company expects to record the \$5.5 million payment as a gain in the fourth quarter of 2015 upon receipt. In addition, the Company may receive an additional \$5.0 million from INEOS to help defray the costs of decommissioning and dismantling the Plaquemine Phenol Facility. The Company’s receipt of all or any portion of the remaining \$5.0 million that INEOS may be required to pay and its right to retain the \$5.0 million advance will depend on the amount of costs incurred by us to decommission and dismantle the Plaquemine Phenol Facility.