

Huntsman CORP
Form 10-Q
May 01, 2018
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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 March 31, 2018

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	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation or Organization	I.R.S. Employer Identification No.
001 32427	Huntsman Corporation 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	42 1648585
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	NO
Huntsman International LLC	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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Huntsman Corporation	YES	NO
Huntsman International LLC	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 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 accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company
Huntsman International LLC	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 7(a)(2)(B) of the Securities Act.

Huntsman Corporation
Huntsman International LLC

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

On April 19, 2018, 239,180,054 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.

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FORWARD LOOKING STATEMENTS

Certain information set forth in this report contains “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than historical factual information are forward looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions, divestitures, business separations, spin offs, or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that we intend or believe will or may occur in the future. In some cases, forward looking statements can be identified by terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates” or “intends” or negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward looking statements from time to time. All such subsequent forward looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward looking statements, including without limitation management’s examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management’s expectations, beliefs and projections will result or be achieved. All forward looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward looking statements whether because of new information, future events or otherwise, except as required by securities and other applicable law.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward looking statements contained in or contemplated by this report. Any forward looking statements should be considered in light of the risks set forth in “Part II. Item 1A. Risk Factors” below and “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10 K for the year ended December 31, 2017.

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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)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 444	\$ 470
Restricted cash(a)	9	11
Accounts and notes receivable (net of allowance for doubtful accounts of \$27 and \$25, respectively), (\$415 and \$334 pledged as collateral, respectively)(a)	1,374	1,256
Accounts receivable from affiliates	33	27
Inventories(a)	1,203	1,073
Prepaid expenses	69	60
Other current assets(a)	193	202
Current assets held for sale	3,060	2,880
Total current assets	6,385	5,979
Property, plant and equipment, net(a)	3,117	3,098
Investment in unconsolidated affiliates	284	266
Intangible assets, net(a)	55	56
Goodwill	141	140
Deferred income taxes	212	208
Other noncurrent assets(a)	509	497
Total assets	\$ 10,703	\$ 10,244
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 961	\$ 946
Accounts payable to affiliates	32	18
Accrued liabilities(a)	533	569
Current portion of debt(a)	36	40
Current liabilities held for sale	1,721	1,692
Total current liabilities	3,283	3,265
Long-term debt(a)	2,298	2,258
Deferred income taxes	269	264
Other noncurrent liabilities(a)	1,084	1,086
Total liabilities	6,934	6,873

Commitments and contingencies (Notes 14 and 15)

Equity

Huntsman Corporation stockholders' equity:

Common stock \$0.01 par value, 1,200,000,000 shares authorized, 254,124,395 and 252,759,715 shares issued and 239,831,871 and 240,213,606 shares outstanding, respectively	3	3
Additional paid-in capital	3,939	3,889
Treasury stock, 14,292,523 and 12,607,223 shares, respectively	(201)	(150)
Unearned stock-based compensation	(26)	(15)
Retained earnings	393	161
Accumulated other comprehensive loss	(1,198)	(1,268)
Total Huntsman Corporation stockholders' equity	2,910	2,620
Noncontrolling interests in subsidiaries	859	751
Total equity	3,769	3,371
Total liabilities and equity	\$ 10,703	\$ 10,244

- (a) At March 31, 2018 and December 31, 2017, respectively, \$13 and \$15 of cash and cash equivalents, \$9 and \$11 of restricted cash, \$38 and \$35 of accounts and notes receivable (net), \$52 and \$46 of inventories, \$7 each of other current assets, \$265 and \$283 of property, plant and equipment (net), \$10 each of intangible assets (net), \$57 and \$43 of other noncurrent assets, \$91 and \$109 of accounts payable, \$32 each of accrued liabilities, \$22 and \$21 of current portion of debt, \$83 and \$86 of long term debt, and \$99 and \$98 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 5. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

	Three months ended March 31,	
	2018	2017
Revenues:		
Trade sales, services and fees, net	\$ 2,255	\$ 1,891
Related party sales	40	41
Total revenues	2,295	1,932
Cost of goods sold	1,755	1,542
Gross profit	540	390
Operating expenses:		
Selling, general and administrative	192	192
Research and development	38	34
Restructuring, impairment and plant closing costs	2	9
Other operating expense (income), net	12	(7)
Total operating expenses	244	228
Operating income	296	162
Interest expense	(27)	