

WESTLAKE CHEMICAL CORP
Form 10-Q
August 09, 2016

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 June 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 No. 001-32260

Westlake Chemical Corporation
(Exact name of Registrant as specified in its charter)

Delaware 76-0346924
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
2801 Post Oak Boulevard, Suite 600
Houston, Texas 77056
(Address of principal executive offices, including zip code)
(713) 960-9111
(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

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, 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 Exchange Act)
Yes No

The number of shares outstanding of the registrant's sole class of common stock as of August 2, 2016 was 128,783,338.

INDEX

Item	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>1) Financial Statements</u>	<u>1</u>
<u>2) Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
<u>3) Quantitative and Qualitative Disclosures about Market Risk</u>	<u>47</u>
<u>4) Controls and Procedures</u>	<u>47</u>
<u>PART II. OTHER INFORMATION</u>	
<u>1) Legal Proceedings</u>	<u>48</u>
<u>1A) Risk Factors</u>	<u>48</u>
<u>2) Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>50</u>
<u>6) Exhibits</u>	<u>51</u>

NON-GAAP FINANCIAL MEASURES

The body of accounting principles generally accepted in the United States is commonly referred to as "U.S. GAAP." For this purpose, a non-GAAP financial measure is generally defined by the Securities and Exchange Commission ("SEC") as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. In this report, we disclose so-called non-GAAP financial measures, primarily earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is calculated as net income before interest expense, income taxes, depreciation and amortization. The non-GAAP financial measures described in this Form 10-Q are not substitutes for the GAAP measures of earnings and cash flow.

EBITDA is included in this Form 10-Q because our management considers it an important supplemental measure of our performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We regularly evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates by using EBITDA. In addition, we utilize EBITDA in evaluating acquisition targets. Management also believes that EBITDA is a useful tool for measuring our ability to meet our future debt service, capital expenditures and working capital requirements, and EBITDA is commonly used by us and our investors to measure our ability to service indebtedness. EBITDA is not a substitute for the GAAP measures of earnings or of cash flow and is not necessarily a measure of our ability to fund our cash needs. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. EBITDA has material limitations as a performance measure because it excludes interest expense, depreciation and amortization, and income taxes.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WESTLAKE CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2016	December 31, 2015
	(in thousands of dollars, except par values and share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 770,997	\$ 662,525
Marketable securities	352,021	520,144
Accounts receivable, net	582,855	508,532
Inventories	448,526	434,060
Prepaid expenses and other current assets	35,642	14,489
Deferred income taxes	—	35,439
Total current assets	2,190,041	2,175,189
Property, plant and equipment, net	3,230,523	3,004,067
Equity investments	8,929	9,208
Other assets, net		
Intangible assets, net	208,376	213,404
Deferred charges and other assets, net	282,695	167,417
Total other assets, net	491,071	380,821
Total assets	\$ 5,920,564	\$ 5,569,285
LIABILITIES AND EQUITY		
Current liabilities		
Accounts and notes payable	\$ 307,116	\$ 235,329
Accrued liabilities	312,985	287,313
Total current liabilities	620,101	522,642
Long-term debt, net	758,453	758,148
Deferred income taxes	664,987	575,603
Other liabilities	139,587	150,961
Total liabilities	2,183,128	2,007,354
Commitments and contingencies (Notes 8 and 18)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 134,651,380 and 134,663,244 shares issued at June 30, 2016 and December 31, 2015, respectively	1,347	1,347
Common stock, held in treasury, at cost; 5,867,617 and 4,444,898 shares at June 30, 2016 and December 31, 2015, respectively	(322,802) (258,312
Additional paid-in capital	545,797	542,148
Retained earnings	3,296,922	3,109,987
Accumulated other comprehensive loss	(82,101) (129,292
Total Westlake Chemical Corporation stockholders' equity	3,439,163	3,265,878

Edgar Filing: WESTLAKE CHEMICAL CORP - Form 10-Q

Noncontrolling interests	298,273	296,053
Total equity	3,737,436	3,561,931
Total liabilities and equity	\$ 5,920,564	\$ 5,569,285

The accompanying notes are an integral part of these consolidated financial statements.

1

Table of Contents

WESTLAKE CHEMICAL CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands of dollars, except per share data and share amounts)			
Net sales	\$1,086,061	\$1,185,002	\$2,061,248	\$2,288,533
Cost of sales	844,695	831,821	1,564,297	1,650,806
Gross profit	241,366	353,181	496,951	637,727
Selling, general and administrative expenses	61,428	57,807	114,737	113,073
Income from operations	179,938	295,374	382,214	524,654
Other income (expense)				
Interest expense	(5,915) (8,958) (12,600) (18,549
Other income, net	8,181			