

Oiltanking Partners, L.P.
Form 10-Q
August 08, 2013
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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 June 30, 2013

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: 001-35230

Oiltanking Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

45-0684578

(I.R.S. Employer

Identification No.)

15631 Jacintoport Blvd.

Houston, TX

(Address of principal executive offices)

77015

(Zip Code)

Registrant's telephone number, including area code: (281) 457-7900

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 (§ 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, 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.

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

As of August 5, 2013, there were 19,449,901 common units and 19,449,901 subordinated units outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OILTANKING PARTNERS, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except unit amounts)

(Unaudited)

	June 30, 2013	December 31, 2012
Assets:		
Current assets:		
Cash and cash equivalents	\$4,962	\$7,071
Receivables:		
Trade	18,914	12,160
Affiliates	1,276	615
Other	351	313
Note receivable, affiliate	3,000	28,000
Prepaid expenses and other	3,484	1,290
Total current assets	31,987	49,449
Property, plant and equipment, net	504,858	418,289
Intangible assets, net	3,739	—
Other assets, net	1,383	1,482
Total assets	\$541,967	\$469,220
Liabilities and partners' capital:		
Current liabilities:		
Accounts payable and accrued expenses	\$28,289	\$29,399
Current maturities of long-term debt, affiliate	2,500	2,500
Accounts payable, affiliates	2,351	2,049
Total current liabilities	33,140	33,948
Long-term debt, affiliate, less current maturities	202,550	146,800
Deferred revenue	2,351	2,544
Total liabilities	238,041	183,292
Commitments and contingencies (Note 11)		
Partners' capital:		
Common units (19,449,901 units issued and outstanding at June 30, 2013 and December 31, 2012)	254,017	248,176
Subordinated units (19,449,901 units issued and outstanding at June 30, 2013 and December 31, 2012)	42,195	36,354
General partner's interest	7,714	1,398
Total partners' capital	303,926	285,928
Total liabilities and partners' capital	\$541,967	\$469,220

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$52,079	\$33,823	\$92,265	\$68,109
Costs and expenses:				
Operating	10,979	8,019	20,444	17,646
Selling, general and administrative	4,741	4,703	9,738	9,191
Depreciation and amortization	4,981	4,068	9,471	8,034
Loss on disposal of fixed assets	—	—	—	13
Total costs and expenses	20,701	16,790	39,653	34,884
Operating income	31,378	17,033	52,612	33,225
Other income (expense):				
Interest expense	(1,759)	(400)	(2,651)	(607)
Interest income	—	9	3	29
Other income	17	59	19	73
Total other expense, net	(1,742)	(332)	(2,629)	(505)
Income before income tax expense	29,636	16,701	49,983	32,720
Income tax expense	(160)	(80)	(315)	(160)
Net income	\$29,476	\$16,621	\$49,668	\$32,560
Allocation of net income to partners:				
Net income allocated to general partner	\$5,710	\$489	\$7,060	\$876
Net income allocated to common unitholders	\$11,883	\$8,066	\$21,304	\$15,842
Net income allocated to subordinated unitholders	\$11,883	\$8,066	\$21,304	\$15,842
Earnings per limited partner unit:				
Common unit (basic and diluted)	\$0.61	\$0.41	\$1.10	\$0.81
Subordinated unit (basic and diluted)	\$0.61	\$0.41	\$1.10	\$0.81
Weighted average number of limited partner units outstanding:				
Common units (basic and diluted)	19,450	19,450	19,450	19,450
Subordinated units (basic and diluted)	19,450	19,450	19,450	19,450

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

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OILTANKING PARTNERS, L.P.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)
 (Unaudited)

	Six Months Ended	
	June 30,	2012
	2013	
Cash flows from operating activities:		
Net income	\$49,668	\$32,560
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,471	8,034
Loss on disposal of fixed assets	—	13
Amortization of deferred financing costs	93	70
Changes in assets and liabilities:		
Trade and other receivables	(6,792)	(2,394)
Prepaid expenses and other assets	(2,188)	(791)
Accounts receivable/payable, affiliates	(359)	(1,347)
Accounts payable and accrued expenses	(2,202)	(386)
Deferred revenue	735	207
Total adjustments from operating activities	(1,242)	3,406
Net cash provided by operating activities	48,426	35,966
Cash flows from investing activities:		
Issuance of notes receivable, affiliate	(3,000)	(20,000)
Collections of notes receivable, affiliate	28,000	33,800
Payments for purchase of property, plant and equipment	(95,920)	(42,162)
Proceeds from sale of property, plant and equipment	44	—
Purchase of intangible assets	(3,739)	—
Net cash used in investing activities	(74,615)	(28,362)
Cash flows from financing activities:		
Borrowings under loan agreement, affiliate	—	10,000
Borrowings under credit agreement, affiliate	57,000	—
Payments under notes payable, affiliate	(1,250)	(1,250)
Debt issuance costs	—	(750)
Distributions paid to partners	(31,670)	(27,566)
Net cash provided by (used in) financing activities	24,080	(19,566)
Net decrease in cash and cash equivalents	(2,109)	(11,962)
Cash and cash equivalents — Beginning of period	7,071	23,836
Cash and cash equivalents — End of period	\$4,962	\$11,874

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

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OILTANKING PARTNERS, L.P.
 CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
 (In thousands)
 (Unaudited)

	General Partner's Interest	Limited Partners' Interests		Total
		Common Units	Subordinated Units	
Balance — January 1, 2013	\$ 1,398	\$248,176	\$36,354	\$285,928
Net income	7,060	21,304	21,304	49,668
Cash distributions to partners	(744) (15,463) (15,463) (31,670
Balance — June 30, 2013	\$7,714	\$254,017	\$42,195	\$303,926

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

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OILTANKING PARTNERS, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Oiltanking Partners, L.P. (“OILT”) is a Delaware limited partnership formed by Oiltanking Holding Americas, Inc. (“OTA”) on March 14, 2011 to engage in the storage, terminaling and transportation of crude oil, refined petroleum products and liquefied petroleum gas. OTA owns and controls OILT’s general partner, OTLP GP, LLC (“general partner”). Through its wholly owned subsidiaries, Oiltanking Houston, L.P. (“OTH”) and Oiltanking Beaumont Partners, L.P. (“OTB”), OILT owns and operates storage and terminaling assets located along the Gulf Coast of the United States on the Houston Ship Channel and in Beaumont, Texas.

OTA is a wholly owned subsidiary of Oiltanking GmbH. Oiltanking GmbH and its subsidiaries, other than OILT and its subsidiaries, are collectively referred to herein as the “Oiltanking Group.” As used in this document, the terms “we,” “us,” and “our” and similar terms refer to OILT and its subsidiaries, where applicable, unless the context indicates otherwise. On July 19, 2011, we completed our initial public offering (“IPO”) of 11,500,000 common units, including 1,500,000 common units issued in connection with the underwriters’ exercise of their over-allotment option, at a price of \$21.50 per unit. Our common units are listed on the New York Stock Exchange under the symbol “OILT.” Through July 18, 2011, OTH and OTB were wholly owned subsidiaries of OTA. OTA and its affiliates contributed all of their equity interests in OTH and OTB to us on July 19, 2011, and in exchange, we issued an aggregate of 7,949,901 common units and 19,449,901 subordinated units to OTA and its affiliates and incentive distribution rights to our general partner. At June 30, 2013, OTA owned our general partner, 7,949,901 common units and 19,449,901 subordinated units.