

LSB INDUSTRIES INC  
Form 10-Q  
July 25, 2018

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, 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 1-7677

LSB Industries, Inc.

(Exact name of Registrant as specified in its charter)

Delaware                                      73-1015226  
(State or other jurisdiction of      (I.R.S. Employer  
incorporation or organization)      Identification No.)

16 South Pennsylvania Avenue, Oklahoma City, Oklahoma      73107  
(Address of principal executive offices)                                      (Zip Code)

(405) 235-4546

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(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report.)

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, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth 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

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 13(a) of the Exchange Act.

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 common stock was 28,613,563 shares as of July 20, 2018.



FORM 10-Q OF LSB INDUSTRIES, INC.

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## PART I

## FINANCIAL INFORMATION

## Item 1. Financial Statements

## LSB INDUSTRIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Information at June 30, 2018 is unaudited)

	June 30, 2018	December 31, 2017
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$47,216	\$33,619
Accounts receivable, net	39,208	59,570
Inventories:		
Finished goods	13,327	20,415
Raw materials	1,552	1,441
Total inventories	14,879	21,856
Supplies, prepaid items and other:		
Prepaid insurance	4,763	10,535
Precious metals	6,640	7,411
Supplies	28,939	27,729
Prepaid and refundable income taxes	792	1,736
Other	1,434	1,284
Total supplies, prepaid items and other	42,568	48,695
Total current assets	143,871	163,740
Property, plant and equipment, net	986,737	1,014,038
Intangible and other assets, net	9,728	11,404
	\$1,140,336	\$1,189,182

(Continued on following page)

## LSB INDUSTRIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

(Information at June 30, 2018 is unaudited)

	June 30, 2018	December 31, 2017
	(In Thousands)	
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$51,278	\$55,992
Short-term financing	2,480	8,585
Accrued and other liabilities	21,387	35,573
Current portion of long-term debt	12,899	9,146
<b>Total current liabilities</b>	<b>88,044</b>	<b>109,296</b>
Long-term debt, net	403,464	400,253
Noncurrent accrued and other liabilities	10,656	11,691
Deferred income taxes	58,229	54,787
<b>Commitments and contingencies (Note 7)</b>		
<b>Redeemable preferred stocks:</b>		
Series E 14% cumulative, redeemable Class C preferred stock, no par value,  210,000 shares issued; 139,768 outstanding; aggregate liquidation preference  of \$198,197,000 (\$185,231,000 at December 31, 2017)		
	187,421	174,959
Series F redeemable Class C preferred stock, no par value, 1 share issued and  outstanding; aggregate liquidation preference of \$100		
	—	—
<b>Stockholders' equity:</b>		
Series B 12% cumulative, convertible preferred stock, \$100 par value;  20,000 shares issued and outstanding		
	2,000	2,000
Series D 6% cumulative, convertible Class C preferred stock, no par value;  1,000,000 shares issued and outstanding		
	1,000	1,000
Common stock, \$.10 par value; 75,000,000 shares authorized,  31,280,685 shares issued		
	3,128	3,128
Capital in excess of par value	196,792	193,956
Retained earnings	207,750	256,214
	<b>410,670</b>	<b>456,298</b>

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Less treasury stock, at cost:

Common stock, 2,667,122 shares (2,662,027 shares at December 31, 2017)	18,148	18,102
Total stockholders' equity	392,522	438,196
	\$1,140,336	\$1,189,182

See accompanying notes.

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LSB INDUSTRIES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	June 30, Three Months Ended		June 30, Six Months Ended	
	2018	2017	2018	2017
	(In Thousands, Except Per Share Amounts)			
Net sales	\$103,199	\$122,853	\$203,649	\$246,197
Cost of sales	100,126	111,513	190,483	223,242
Gross profit	3,073	11,340	13,166	22,955
Selling, general and administrative expense	8,397	8,232	16,700	18,777
Other expense, net	545	3,406	451	2,155
Operating income (loss)	(5,869 )	(298 )	(3,985 )	2,023
Interest expense, net	11,693	9,292	20,999	18,650
Loss on extinguishment of debt	5,951	—	5,951	—
Non-operating other expense (income), net	(331 )	204	(1,240 )	435
Loss before provision (benefit) for income taxes	(23,182 )	(9,794 )	(29,695 )	(17,062 )
Provision (benefit) for income taxes	4,324	(2,761 )	3,402	(4,043 )
Net loss	(27,506 )	(7,033 )	(33,097 )	(13,019 )
Dividends on convertible preferred stocks	75	75	150	150
Dividends on Series E redeemable preferred stock	6,628	5,789	12,966	11,325
Accretion of Series E redeemable preferred stock	802	1,618	2,401	3,217
Net loss attributable to common stockholders	\$(35,011 )	\$(14,515 )	\$(48,614 )	\$(27,711 )
Basic and dilutive net loss per common share:	\$(1.27 )	\$(0.53 )	\$(1.77 )	\$(1.02 )

See accompanying notes.



LSB INDUSTRIES, INC.

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Unaudited)

	Common Stock	Treasury Stock-Common	Non-Redeemable Preferred Stock	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock-Common	Total
	Shares	Shares						
	(In Thousands)							
Balance at December 31, 2017	31,281	(2,662 )	\$ 3,000	\$ 3,128	\$ 193,956	\$ 256,214	\$ (18,102 )	\$ 438,196
Net loss						(33,097 )		(33,097 )
Dividend accrued on redeemable preferred stock						(12,966 )		(12,966 )
Accretion of redeemable preferred stock						(2,401 )		(2,401 )
Stock-based compensation					2,935			2,935
Other		(5 )			(99 )		(46 )	(145 )
Balance at June 30, 2018	31,281	(2,667 )	\$ 3,000	\$ 3,128	\$ 196,792	\$ 207,750		