

WESTLAKE CHEMICAL CORP
Form 10-Q
May 03, 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
^x 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 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, a smaller reporting company, or an emerging growth 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 sole class of common stock as of April 26, 2018 was 129,594,582.

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>27</u>
<u>3) Quantitative and Qualitative Disclosures about Market Risk</u>	<u>38</u>
<u>4) Controls and Procedures</u>	<u>39</u>
<u>PART II. OTHER INFORMATION</u>	
<u>1) Legal Proceedings</u>	<u>39</u>
<u>1A) Risk Factors</u>	<u>40</u>
<u>2) Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
<u>6) Exhibits</u>	<u>41</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WESTLAKE CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2018	December 31, 2017
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(in millions of dollars, except par values and share amounts)

ASSETS

Current assets

Cash and cash equivalents	\$ 851	\$ 1,531
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Accounts receivable, net	1,135	1,001
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Inventories	944	900
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Prepaid expenses and other current assets	29	31
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Total current assets	2,959	3,463
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Property, plant and equipment, net	6,447	6,412
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Goodwill	1,010	1,012
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Customer relationships, net	594	616
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Other intangible assets, net	160	161
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Other assets, net	434	412
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Total assets	\$ 11,604	\$ 12,076
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LIABILITIES AND EQUITY

Current liabilities

Accounts payable	\$ 596	\$ 600
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Accrued liabilities	596	657
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Current portion of long-term debt, net	461	710
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Total current liabilities	1,653	1,967
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Long-term debt, net	2,666	3,127
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Deferred income taxes	1,125	1,111
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Pension and other post-retirement benefits	342	344
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Other liabilities	177	158
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Total liabilities	5,963	6,707
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Commitments and contingencies (Note 12)		
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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 134,651,380 shares issued at March 31, 2018 and December 31, 2017, respectively	1	1
Common stock, held in treasury, at cost; 5,057,732 and 5,232,875 shares at March 31, 2018 and December 31, 2017, respectively	(292)	(302)
Additional paid-in capital	555	555
Retained earnings	4,874	4,613
Accumulated other comprehensive income	3	7
Total Westlake Chemical Corporation stockholders' equity	5,141	4,874
Noncontrolling interests	500	495
Total equity	5,641	5,369
Total liabilities and equity	\$ 11,604	\$ 12,076

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

Table of Contents

WESTLAKE CHEMICAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in millions of dollars, except per share data and share amounts)	
Net sales	\$ 2,150	\$ 1,943
Cost of sales	1,608	1,577
Gross profit	542	366
Selling, general and administrative expenses	108	99
Amortization of intangibles	26	25
Transaction and integration-related costs	7	8
Income from operations	401	234
Other income (expense)		
Interest expense	(37) (40
Other income, net	22	7
Income before income taxes	386	201
Provision for income taxes	89	56
Net income	297	145
Net income attributable to noncontrolling interests	10	7
Net income attributable to Westlake Chemical Corporation	\$ 287	\$ 138
Earnings per common share attributable to Westlake Chemical Corporation:		
Basic	\$ 2.21	\$ 1.07
Diluted	\$ 2.20	\$ 1.06
Weighted average common shares outstanding:		
Basic	129,483,968	128,979,357
Diluted	130,190,892	129,692,015
Dividends per common share	\$ 0.2100	\$ 0.1906

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

Table of Contents

WESTLAKE CHEMICAL CORPORATION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in millions of dollars)	
Net income	\$ 297	\$ 145
Other comprehensive income (loss), net of income taxes		
Foreign currency translation adjustments		
Foreign currency translation	(6)	19
Income tax benefit (provision) on foreign currency translation	4	(2)
Other comprehensive income (loss), net of income taxes	(2)	17
Comprehensive income	295	162
Comprehensive income attributable to noncontrolling interests, net of tax of \$1 and \$1 for the three months ended March 31, 2018 and 2017, respectively	12	6
Comprehensive income attributable to Westlake Chemical Corporation	\$ 283	\$ 156

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

Table of Contents

WESTLAKE CHEMICAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Common Stock, Held in Treasury		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	At Cost					
(in millions of dollars, except share amounts)									
Balances at December 31, 2016	134,651,380	\$ 1	5,726,377	\$(319)	\$ 551	\$3,412	\$ (121)	\$ 368	\$3,892
Net income	—	—	—	—	—	138	—	7	145
Other comprehensive income	—	—	—	—	—	—	17	3	20
Shares issued—stock-based compensation	—	—	(118,065)	3	(2)	—	—	—	1
Stock-based compensation, net of tax on stock options exercised	—	—	—	—	3	—	—	—	3
Dividends declared	—	—	—	—	—	(24)	—	—	(24)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(4)	(4)
Balances at March 31, 2017	134,651,380	\$ 1	5,608,312	\$(316)	\$ 552	\$3,526	\$ (104)	\$ 374	\$4,033
Balances at December 31, 2017	134,651,380	\$ 1	5,232,875	\$(302)	\$ 555	\$4,613	\$ 7	\$ 495	\$5,369
Cumulative effect of accounting change	—	—	—	—	—	1	—	—	1
Net income	—	—	—	—	—	287	—	10	297
Other comprehensive income (loss)	—	—	—	—	—	—	(4)	2	(2)
Shares issued—stock-based compensation	—	—	—	—	—	—	—	—	—