

LOUISIANA-PACIFIC CORP
Form 10-Q
November 06, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Quarterly Period Ended September 30, 2017
Commission File Number 1-7107

LOUISIANA-PACIFIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 93-0609074
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
414 Union Street, Nashville, TN 37219
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (615) 986-5600

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 144,873,463 shares of Common Stock, \$1 par value, outstanding as of November 6, 2017. Except as otherwise specified and unless the context otherwise requires, references to "LP", the "Company", "we", "us", and "our" refer to

Louisiana-Pacific Corporation and its subsidiaries.

ABOUT FORWARD-LOOKING STATEMENTS

Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 provide a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about their businesses and other matters as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statements. This report contains, and other reports and documents filed by us with the Securities and Exchange Commission (SEC) may contain, forward-looking statements. These statements are or will be based upon the beliefs and assumptions of, and on information available to, our management.

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like “may,” “will,” “could,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “po,” “continue” or “future” or the negative or other variations thereof and (2) other statements regarding matters that are not historical facts, including without limitation, plans for product development, forecasts of future costs and expenditures, possible outcomes of legal proceedings, capacity expansion and other growth initiatives and the adequacy of reserves for loss contingencies.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following:

- changes in governmental fiscal and monetary policies and levels of employment;
- changes in general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction and repair activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products;
- changes in the relationship between supply of and demand for raw materials, including wood fiber and resins, used in manufacturing our products;
- changes in the cost of and availability of energy, primarily natural gas, electricity and diesel fuel;
- changes in the cost of and availability of transportation;
- changes in other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar, Brazilian real and Chilean peso;
- changes in general and industry-specific environmental laws and regulations;
- changes in tax laws, and interpretations thereof;
- changes in circumstances giving rise to environmental liabilities or expenditures;
- the resolution of existing and future product-related litigation and other legal proceedings; and
- acts of public authorities, war, civil unrest, natural disasters, fire, floods, earthquakes, inclement weather and other matters beyond our control.

In addition to the foregoing and any risks and uncertainties specifically identified in the text surrounding forward-looking statements, any statements in the reports and other documents filed by us with the SEC that warn of risks or uncertainties associated with future results, events or circumstances identify important factors that could cause actual results, events and circumstances to differ materially from those reflected in the forward-looking statements.

ABOUT THIRD-PARTY INFORMATION

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS) (UNAUDITED)

	September 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	\$ 848.7	\$ 659.3
Receivables, net of allowance for doubtful accounts of \$1.0 million at September 30, 2017 and December 31, 2016	171.4	108.3
Inventories	231.0	234.6
Prepaid expenses and other current assets	8.8	6.1
Current portion of notes receivable from asset sales	22.2	—
Assets held for sale	8.7	8.2
Total current assets	1,290.8	1,016.5
Timber and timberlands	55.6	53.5
Property, plant and equipment	2,472.3	2,410.8
Accumulated depreciation	(1,599.6	) (1,527.6
Property, plant and equipment, net	872.7	883.2
Goodwill	9.7	9.7
Notes receivable from asset sales	—	22.2
Investments in and advances to affiliates	7.4	6.2
Restricted cash	13.2	13.2
Other assets	57.2	22.4
Long-term deferred tax asset	1.4	4.3
Total assets	\$ 2,308.0	\$ 2,031.2
LIABILITIES AND EQUITY		
Current portion of long-term debt	\$ 0.5	\$ 2.6
Current portion of limited recourse notes payable	22.0	—
Accounts payable and accrued liabilities	212.5	191.5
Income taxes payable	7.4	31.3
Current portion of contingency reserves	3.4	3.4
Total current liabilities	245.8	228.8
Long-term debt, excluding current portion	353.0	374.4
Deferred income taxes	51.3	27.7
Contingency reserves, excluding current portion	12.3	12.7
Other long-term liabilities	180.3	191.9
Stockholders' equity:		
Common stock, \$1 par value, 200,000,000 shares authorized, 153,358,542 shares issued	153.4	153.4
Additional paid-in capital	470.0	478.2
Retained earnings	1,149.5	890.3
Treasury stock, 8,502,549 shares and 9,041,733 shares, at cost	(178.2	) (189.0
Accumulated comprehensive loss	(129.4	) (137.2
Total stockholders' equity	1,465.3	1,195.7
Total liabilities and stockholders' equity	\$ 2,308.0	\$ 2,031.2

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

CONSOLIDATED STATEMENTS OF INCOME
 LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
 (AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS)
 (UNAUDITED)

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales	\$718.3	\$596.4	\$2,023.3	\$1,683.4
Operating costs and expenses:				
Cost of sales	479.3	442.6	1,420.1	1,301.2
Depreciation and amortization	31.1	29.6	91.3	86.0
Selling and administrative	49.2	47.0	144.8	135.8
(Gain) loss on sale or impairment of long-lived assets, net	0.7	0.3	(1.8	) 1.0
Other operating credits and charges, net	(0.9	) —	4.5	11.4
Total operating costs and expenses	559.4	519.5	1,658.9	1,535.4
Income from operations	158.9	76.9	364.4	148.0
Non-operating income (expense):				
Interest expense, net of capitalized interest	(4.9	) (9.0	) (14.8	) (26.3
Investment income	2.9	2.5	7.2	6.4
Loss on early debt extinguishment	—	(13.2	) —	(13.2
Other non-operating items	(0.6	) (0.5)	