

Huntsman CORP
Form 10-Q
October 30, 2017
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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 September 30, 2017

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	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation or Organization	I.R.S. Employer Identification No.
001 32427	Huntsman Corporation 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	42 1648585
333 85141	Huntsman International LLC 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	87 0630358

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.

Huntsman Corporation YES NO
Huntsman International LLC YES NO

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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).

Huntsman Corporation	YES	NO
Huntsman International LLC	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. (Check one):

Huntsman Corporation	Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company
Huntsman International LLC	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 7(a)(2)(B) of the Securities Act.

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

On October 18, 2017, 240,008,103 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no trading market for Huntsman International LLC’s units of membership interests. All of Huntsman International LLC’s units of membership interests are held by Huntsman Corporation.

This Quarterly Report on Form 10-Q presents information for two registrants: Huntsman Corporation and Huntsman International LLC. Huntsman International LLC is a wholly-owned subsidiary of Huntsman Corporation and is the principal operating company of Huntsman Corporation. The information reflected in this Quarterly Report on Form 10-Q is equally applicable to both Huntsman Corporation and Huntsman International LLC, except where otherwise indicated. Huntsman International LLC meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and, to the extent applicable, is therefore filing this form with a reduced disclosure format.

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FORWARD LOOKING STATEMENTS

Certain information set forth in this report contains “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than historical factual information are forward looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions, divestitures, business separations, spin offs, or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that we intend or believe will or may occur in the future. In some cases, forward looking statements can be identified by terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates” or “intends” or negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward looking statements from time to time. All such subsequent forward looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

As previously disclosed, on May 21, 2017, Huntsman, Clariant Ltd, a Swiss corporation, (“Clariant”), and HurricaneCyclone Corporation, a Delaware corporation and wholly owned indirect subsidiary of Clariant (“Merger Sub”, collectively, the “Parties”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) which contemplated that Merger Sub would be merged with and into Huntsman, with Huntsman surviving the merger as a wholly-owned subsidiary of Clariant. On October 26, 2017, Huntsman, Clariant and Merger Sub entered into a Termination Agreement, dated as of October 26, 2017 (the “Termination Agreement”), pursuant to which the parties mutually terminated the Merger Agreement. No fees are currently payable under the terms of the Termination Agreement. Huntsman and Clariant also agreed to release each other from certain claims and liabilities arising out of or related to the Merger Agreement or the transactions contemplated therein or thereby. Pursuant to the Termination Agreement, each party agrees to bear its own costs, fees and expenses in connection with Merger Agreement and the transactions contemplated thereby, except for specified joint filing fees and related expenses as set forth in the Merger Agreement. During the three and nine months ended September 30, 2017 and 2016, we incurred merger-related costs of \$12 million, \$18 million, nil and nil, respectively.

All forward looking statements, including without limitation management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management's expectations, beliefs and projections will result or be achieved. All forward looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward looking statements whether because of new information, future events or otherwise, except as required by securities and other applicable law.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward looking statements contained in or contemplated by this report. Any forward looking statements should be considered in light of the risks set forth in "Part II. Item 1A. Risk Factors" below and "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10 K for the year ended December 31, 2016.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Amounts)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 440	\$ 385
Restricted cash(a)	11	11
Accounts and notes receivable (net of allowance for doubtful accounts of \$24 and \$23, respectively), (\$369 and \$328 pledged as collateral, respectively)(a)	1,223	1,168
Accounts receivable from affiliates	24	15
Inventories(a)	1,084	918
Prepaid expenses	47	49
Other current assets(a)	193	232
Current assets held for sale	2,745	777
Total current assets	5,767	3,555
Property, plant and equipment, net(a)	3,035	3,034
Investment in unconsolidated affiliates	255	248
Intangible assets, net(a)	56	43
Goodwill	139	121
Deferred income taxes	268	253
Other noncurrent assets(a)	463	472
Noncurrent assets held for sale	—	1,463
Total assets	\$ 9,983	\$ 9,189
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 871	\$ 774
Accounts payable to affiliates	20	16
Accrued liabilities(a)	537	471
Current portion of debt(a)	29	50
Current liabilities held for sale	1,633	467
Total current liabilities	3,090	1,778
Long-term debt(a)	2,845	4,122
Notes payable to affiliates	—	1
Deferred income taxes	426	371

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Other noncurrent liabilities(a)	1,031	1,057
Noncurrent liabilities held for sale	—	393
Total liabilities	7,392	7,722
Commitments and contingencies (Notes 13 and 14)		
Equity		
Huntsman Corporation stockholders' equity:		
Common stock \$0.01 par value, 1,200,000,000 shares authorized, 252,529,511 and 250,802,175 shares issued and 238,609,819 and 236,370,347 shares outstanding, respectively	3	3
Additional paid-in capital	3,683	3,447
Treasury stock, 12,607,223 shares	(150)	(150)
Unearned stock-based compensation	(19)	(17)
Accumulated deficit	(48)	(325)
Accumulated other comprehensive loss	(1,358)	(1,671)
Total Huntsman Corporation stockholders' equity	2,111	1,287
Noncontrolling interests in subsidiaries	480	180
Total equity	2,591	1,467
Total liabilities and equity	\$ 9,983	\$ 9,189

(a) At September 30, 2017 and December 31, 2016, respectively, \$35 and \$20 of cash and cash equivalents, \$11 and \$10 of restricted cash, \$29 and \$21 of accounts and notes receivable (net), \$42 and \$45 of inventories, \$6 and \$5 of other current assets, \$272 and \$279 of property, plant and equipment (net), \$10 each of intangible assets (net), \$39 and \$37 of other noncurrent assets, \$81 and \$89 of accounts payable, \$29 and \$30 of accrued liabilities, \$20 and \$12 of current portion of debt, \$94 and \$114 of long term debt, and \$80 and \$76 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 5. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenues:				
Trade sales, services and fees, net	\$ 2,137	\$ 1,802	\$ 6,048	\$ 5,519
Related party sales	32	29	107	95
Total revenues	2,169	1,831	6,155	5,614
Cost of goods sold	1,695	1,475	4,852	4,444
Gross profit	474	356	1,303	1,170
Operating expenses:				
Selling, general and administrative	198	185	583	564
Research and development	35	34	103	103
Restructuring, impairment and plant closing costs	1	38	13	56
Merger costs	12	—	18	—
Other operating expense (income), net	5	(2)	(9)	(3)
Total expenses	251	255	708	720
Operating income	223	101	595	450
Interest expense	(39)	(52)	(134)	(153)
Equity in income of investment in unconsolidated affiliates	1	1	4	4
Loss on early extinguishment of debt	(35)	(1)	(36)	(3)
Other income (loss), net	1	(3)	2	(1)
Income from continuing operations before income taxes	151	46	431	297
Income tax expense	(35)	(6)	(78)	(65)
Income from continuing operations	116	40	353	232
Income (loss) from discontinued operations, net of tax	63	24	101	(12)
Net income	179	64	454	220
Net income attributable to noncontrolling interests	(32)	(9)	(64)	(22)
Net income attributable to Huntsman Corporation	\$ 147	\$ 55	\$ 390	\$ 198
Basic income (loss) per share:				
Income from continuing operations attributable to Huntsman Corporation common stockholders	\$ 0.36	\$ 0.13	\$ 1.22	\$ 0.89
Income (loss) from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	0.26	0.10	0.42	(0.05)
Net income attributable to Huntsman Corporation common stockholders	\$ 0.62	\$ 0.23	\$ 1.64	\$ 0.84
Weighted average shares	238.5	236.3	238.0	236.2
Diluted income (loss) per share:				
Income from continuing operations attributable to Huntsman Corporation common stockholders	\$ 0.34	\$ 0.13	\$ 1.19	\$ 0.88

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Income (loss) from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	0.26	0.10	0.41	(0.05)
Net income attributable to Huntsman Corporation common stockholders	\$ 0.60	\$ 0.23	\$ 1.60	\$ 0.83
Weighted average shares	244.0	240.1	243.5	239.1
Amounts attributable to Huntsman Corporation common stockholders:				
Income from continuing operations	\$ 84	\$ 31	\$ 289	\$ 210
Income (loss) from discontinued operations, net of tax	63	24	101	(12)
Net income	\$ 147	\$ 55	\$ 390	\$ 198
Dividends per share	\$ 0.125	\$ 0.125	\$ 0.375	\$ 0.375

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income	\$ 179	\$ 64	\$ 454	\$ 220
Other comprehensive income (loss), net of tax:				
Foreign currency translations adjustments	66	15	201	(11)
Pension and other postretirement benefits adjustments	18	11	55	35
Other, net	(1)	4	(3)	(2)
Other comprehensive income, net of tax	83	30	253	22
Comprehensive income	262	94	707	242
Comprehensive income attributable to noncontrolling interests	(37)	(9)	(76)	(22)
Comprehensive income attributable to Huntsman Corporation	\$ 225	\$ 85	\$ 631	\$ 220

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Share Amounts)

	Huntsman Corporation Stockholders' Equity					Accumulated		Noncontrolling interests in subsidiaries	Total equity
	Shares Common stock	Common stock	Additional paid-in capital	Treasury stock	Unearned stock-based compensation	Accumulated deficit	other comprehensive loss		
Balance, January 1, 2017	236,370,347	\$ 3	\$ 3,447	\$ (150)	\$ (17)	\$ (325)	\$ (1,671)	\$ 180	\$ 1,467
Net income	—	—	—	—	—	390	—	64	454
Other comprehensive income	—	—	—	—	—	—	313	(60)	253
Issuance of nonvested stock awards	—	—	17	—	(17)	—	—	—	—
Vesting of stock awards	1,200,218	—	8	—	—	—	—	—	8
Recognition of stock-based compensation	—	—	7	—	13	—	—	—	20
Repurchase and cancellation of stock awards	(348,887)	—	—	—	—	(8)	—	—	(8)
Contribution from noncontrolling interests	—	—	—	—	—	—	—	4	4
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(26)	(26)
Disposition of a portion of P&A Business	—	—	209	—	—	—	—	—	209
Separation costs of P&A Business	—	—	(40)	—	—	—	—	—	(40)
Conversion of restricted awards to P&A Business awards	—	—	(2)	—	2	—	—	—	—
Minority interest on disposal of P&A Business	—	—	—	—	—	—	—	318	318

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Stock options exercised	1,388,141	—	37	—	—	(15)	—	—	22
Dividends declared on common stock	—	—	—	—	—	(90)	—	—	(90)
Balance, September 30, 2017	238,609,819	\$ 3	\$ 3,683	\$ (150)	\$ (19)	\$ (48)	\$ (1,358)	\$ 480	\$ 2,591
Balance, January 1, 2016	237,080,026	\$ 3	\$ 3,407	\$ (135)	\$ (17)	\$ (528)	\$ (1,288)	\$ 187	\$ 1,629
Net income	—	—	—	—	—	198	—	22	220
Other comprehensive income	—	—	—	—	—	—	22	—	22
Issuance of nonvested stock awards	—	—	17	—	(17)	—	—	—	—
Vesting of stock awards	895,660	—	2	—	—	—	—	—	2
Recognition of stock-based compensation	—	—	7	—	13	—	—	—	20
Repurchase and cancellation of stock awards	(249,155)	—	—	—	—	(3)	—	—	(3)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(26)	(26)
Stock options exercised	35,170	—	—	—	—	—	—	—	—
Treasury stock repurchased	(1,444,769)	—	15	(15)	—	—	—	—	—
Excess tax shortfall related to stock-based compensation	—	—	(3)	—	—	—	—	—	(3)
Dividends declared on common stock	—	—	—	—	—	(90)	—	—	(90)
Balance, September 30, 2016	236,316,932	\$ 3	\$ 3,445	\$ (150)	\$ (21)	\$ (423)	\$ (1,266)	\$ 183	\$ 1,771

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Nine months ended September 30,	
	2017	2016
Operating Activities:		
Net income	\$ 454	\$ 220
Less: (Income) loss from discontinued operations	(101)	12
Income from continuing operations	353	232
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Equity in income of investment in unconsolidated affiliates	(4)	(4)
Depreciation and amortization	235	238
(Gain) loss on disposal of businesses/assets, net	(5)	1
Loss on early extinguishment of debt	36	3