

CVR PARTNERS, LP
Form 10-Q
August 01, 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: 001-35120

CVR Partners, LP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

56-2677689
(I.R.S. Employer
Identification No.)

2277 Plaza Drive, Suite 500
Sugar Land, Texas
(Address of principal executive offices)

77479
(Zip Code)

(281) 207-3200

(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 (§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

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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 by Rule 12b-2 of the Exchange Act). Yes No

There were 73,074,945 common units outstanding at July 31, 2013.

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CVR Partners, LP and Subsidiaries

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For The Quarter Ended June 30, 2013**

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GLOSSARY OF SELECTED TERMS

The following are definitions of certain terms used in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 (this "Report"):

ammonia	Ammonia is a direct application fertilizer and is primarily used as a building block for other nitrogen products for industrial applications and finished fertilizer products.
catalyst	A substance that alters, accelerates, or instigates chemical changes, but is neither produced, consumed nor altered in the process.
Coffeyville Resources or CRLLC	Coffeyville Resources, LLC, the subsidiary of CVR Energy which directly owns our general partner and 38,920,000 common units, or approximately 53% of our common units.
common units	Common units representing limited partner interests of CVR Partners, LP.
corn belt	The primary corn producing region of the United States, which includes Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, Ohio and Wisconsin.
CVR Energy	CVR Energy, Inc., a publicly traded company listed on the New York Stock Exchange under the ticker symbol "CVI," which indirectly owns our general partner and the common units owned by CRLLC.
CVR Refining	CVR Refining, LP, a publicly traded limited partnership listed on the New York Stock Exchange under the ticker symbol "CVRR," which currently operates a 115,000 bpd oil refinery in Coffeyville, Kansas, a 70,000 bpd oil refinery in Wynnewood, Oklahoma and ancillary businesses.
farm belt	Refers to the states of Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Texas and Wisconsin.
general partner	CVR GP, LLC, our general partner, which is a wholly-owned subsidiary of Coffeyville Resources.
Initial Public Offering	The initial public offering of CVR Partners, LP common units that closed on April 13, 2011.
MMbtu	One million British thermal units: a measure of energy. One Btu of heat is required to raise the temperature of one pound of water one degree Fahrenheit.
MSCF	One thousand standard cubic feet, a customary gas measurement.
on-stream	Measurement of the reliability of the gasification, ammonia and UAN units, defined as the total number of hours operated by each unit divided by the total number of hours in the reporting period.

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pet coke	Petroleum coke a coal-like substance that is produced during the refining process.
plant gate price	The unit price of fertilizer, in dollars per ton, offered on a delivered basis, and excluding shipment costs.
prepaid sales	Represents customer payments under contracts to guarantee a price and supply of fertilizer in quantities expected to be delivered in the next twelve months. Revenue is not recorded for such sales until the product is considered delivered. Prepaid sales are also referred to as deferred revenue.
Secondary Offering	The registered public offering of 12,000,000 common units of CVR Partners, LP, by CRLLC, which closed on May 28, 2013.
ton	One ton is equal to 2,000 pounds.
turnaround	A periodically required standard procedure to refurbish and maintain a facility that involves the shutdown and inspection of major processing units.
UAN	UAN is an aqueous solution of urea and ammonium nitrate used as a fertilizer.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CVR Partners, LP and Subsidiaries****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2013	December 31, 2012
	(unaudited)	
	(dollars in thousands, except unit data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 111,882	\$ 127,848
Accounts receivable, net of allowance for doubtful accounts of \$74 and \$84, at June 30, 2013 and December 31, 2012, respectively	4,962	6,805
Inventories	32,837	28,949
Prepaid expenses and other current assets, including \$635 and \$605 with affiliates at June 30, 2013 and December 31, 2012, respectively	5,065	2,446
Total current assets	154,746	166,048
Property, plant, and equipment, net of accumulated depreciation	419,500	411,600
Intangible assets, net	28	30
Goodwill	40,969	40,969
Deferred financing costs, net	1,722	2,200
Other long-term assets, including \$1,226 and \$1,315 with affiliates at June 30, 2013 and December 31, 2012, respectively	2,233	2,107
Total assets	\$ 619,198	\$ 622,954
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable, including \$3,450 and \$3,220 with affiliates at June 30, 2013 and December 31, 2012, respectively	\$ 21,756	\$ 34,099
Personnel accruals, including \$1,049 and \$1,865 with affiliates at June 30, 2013 and December 31, 2012, respectively	2,980	4,931
Deferred revenue	1,505	965
Accrued expenses and other current liabilities, including \$536 and \$553 with affiliates at June 30, 2013 and December 31, 2012, respectively	5,438	9,480
Total current liabilities	31,679	49,475
Long-term liabilities:		
Long-term debt, net of current portion	125,000	125,000
Other long-term liabilities, including \$168 and \$355 with affiliates at June 30, 2013 and December 31, 2012, respectively	1,422	2,286
Total long-term liabilities	126,422	127,286
Commitments and contingencies		
Partners' capital:		
Common unitholders, 73,074,945 and 73,065,143 units issued and outstanding at June 30, 2013 and December 31, 2012, respectively	463,171	448,943

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General partner's interest	1	1
Accumulated other comprehensive loss	(2,075)	(2,751)
Total partners' capital	461,097	446,193
Total liabilities and partners' capital	\$ 619,198	\$ 622,954

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CVR Partners, LP and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(unaudited)			
	(in thousands, except per unit data)			
Net sales	\$ 88,834	\$ 81,431	\$ 170,245	\$ 159,707
Operating costs and expenses:				
Cost of product sold (exclusive of depreciation and amortization) Affiliates	2,761	2,532	5,850	5,522
Cost of product sold (exclusive of depreciation and amortization) Third parties	12,810	8,193	20,375	17,801
	15,571	10,725	26,225	23,323
Direct operating expenses (exclusive of depreciation and amortization) Affiliates	1,205	448	2,208	829
Direct operating expenses (exclusive of depreciation and amortization) Third parties	23,213	22,076	44,767	44,532
	24,418	22,524	46,975	45,361
Selling, general and administrative expenses (exclusive of depreciation and amortization) Affiliates	4,153	5,218	8,372	9,037
Selling, general and administrative expenses (exclusive of depreciation and amortization) Third parties	1,439	1,759	2,850	3,917
	5,592	6,977	11,222	12,954
Depreciation and amortization	6,193	5,158	11,960	10,596
Total operating costs and expenses	51,774	45,384	96,382	92,234
Operating income	37,060	36,047	73,863	67,473
Other income (expense):				
Interest expense and other financing costs (Note 12)	(1,675)	(1,020)	(2,955)	(2,223)
Interest income	24	65	54	98
Other income, net	46	28	55	34
Total other expense	(1,605)	(927)	(2,846)	(2,091)
Income before income tax expense	35,455	35,120	71,017	65,382
Income tax expense	18	32	27	50
Net income	\$ 35,437	\$ 35,088	\$ 70,990	\$ 65,332
Net income per common unit basic	\$ 0.48	\$ 0.48	\$ 0.97	\$ 0.89
Net income per common unit diluted	\$ 0.48	\$ 0.48	\$ 0.97	\$ 0.89
Weighted-average common units outstanding:				
Basic	73,068	73,035	73,067	73,033
Diluted	73,230	73,194	73,232	73,195

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CVR Partners, LP and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(unaudited)			
	(in thousands)			
Net income	\$ 35,437	\$ 35,088	\$ 70,990	\$ 65,332
Other comprehensive income (loss):				
Change in fair value of interest rate swap	201	(726)	155	(961)
Net loss reclassified into income on settlement of interest rate swap (Note 12)	263	234	521	465
Other comprehensive income (loss)	464	(492)	676	(496)
Total comprehensive income	\$ 35,901	\$ 34,596	\$ 71,666	\$ 64,836

See accompanying notes to the condensed consolidated financial statements.

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CVR Partners, LP and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended
June 30,
2013 2012
(unaudited)