

Westlake Chemical Partners LP  
Form 10-Q  
August 09, 2016

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, 2016

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. 001-36567

Westlake Chemical Partners LP  
(Exact name of Registrant as specified in its charter)

Delaware 32-0436529  
(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) 585-2900  
(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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)  
Yes  No

The registrant had 14,373,615 common units and 12,686,115 subordinated units outstanding as of August 2, 2016.

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>19</u>
<u>3) Quantitative and Qualitative Disclosures about Market Risk</u>	<u>29</u>
<u>4) Controls and Procedures</u>	<u>29</u>
<u>PART II. OTHER INFORMATION</u>	
<u>1) Legal Proceedings</u>	<u>30</u>
<u>1A) Risk Factors</u>	<u>30</u>
<u>5) Other Information</u>	<u>30</u>
<u>6) Exhibits</u>	<u>30</u>

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## WESTLAKE CHEMICAL PARTNERS LP

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2016	December 31, 2015
	(in thousands of dollars, except unit amounts)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 151,257	\$ 169,559
Accounts receivable—Westlake Chemical Corporation ("Westlake")	59,118	39,655
Accounts receivable, net—third parties	9,620	11,927
Inventories	2,493	3,879
Prepaid expenses and other current assets	73	267
Total current assets	222,561	225,287
Property, plant and equipment, net	1,203,249	1,020,469
Receivable from Westlake	28,248	—
Other assets, net		
Goodwill	5,814	5,814
Deferred charges and other assets, net	92,362	38,779
Total other assets, net	98,176	44,593
Total assets	\$ 1,552,234	\$ 1,290,349
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable—Westlake	\$ 26,558	\$ 15,550
Accounts payable—third parties	67,167	18,737
Accrued liabilities	77,069	23,407
Total current liabilities	170,794	57,694
Long-term debt payable to Westlake	515,338	384,006
Deferred income taxes	1,712	1,392
Other liabilities	640	90
Total liabilities	688,484	443,182
Commitments and contingencies (Notes 9 and 15)		
<b>EQUITY</b>		
Common unitholders—public (12,937,500 units issued and outstanding)	296,704	294,565
Common unitholder—Westlake (1,436,115 units issued and outstanding)	4,739	4,502
Subordinated unitholder—Westlake (12,686,115 units issued and outstanding)	41,882	39,786
General partner—Westlake	(242,526 )	(242,572 )
Accumulated other comprehensive (loss) income	(624 )	280
Total Westlake Chemical Partners LP partners' capital	100,175	96,561
Noncontrolling interest in Westlake Chemical OpCo LP ("OpCo")	763,575	750,606
Total equity	863,750	847,167
Total liabilities and equity	\$ 1,552,234	\$ 1,290,349

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



Table of Contents

WESTLAKE CHEMICAL PARTNERS LP  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands of dollars, except unit amounts and per unit data)			
Revenue				
Net sales—Westlake	\$ 181,635	\$ 204,669	\$ 412,895	\$ 413,582
Net co-product, ethylene and other sales—third parties	29,206	47,036	50,550	96,514
Total net sales	210,841	251,705	463,445	510,096
Cost of sales	122,460	157,177	264,650	319,341
Gross profit	88,381	94,528	198,795	190,755
Selling, general and administrative expenses	5,848	5,995	11,945	11,995
Income from operations	82,533	88,533	186,850	178,760
Other income (expense)				
Interest expense—Westlake	(1,203 )	(1,364 )	(2,434 )	(2,740 )
Other income, net	159	33	243	38
Income before income taxes	81,489	87,202	184,659	176,058
Provision for (benefit from) income taxes	297	(41 )	696	426
Net income	81,192	87,243	183,963	175,632
Less: Net income attributable to noncontrolling interest in OpCo	71,848	76,800	162,535	156,689
Net income attributable to Westlake Chemical Partners LP	\$ 9,344	\$ 10,443	\$ 21,428	\$ 18,943
Net income per limited partner unit attributable to Westlake Chemical Partners LP (basic and diluted)				
Common units	\$ 0.34	\$ 0.39	\$ 0.79	\$ 0.70
Subordinated units	\$ 0.34	\$ 0.39	\$ 0.79	\$ 0.70
Weighted average limited partner units outstanding (basic and diluted)				
Common units—public	12,937,500	12,937,500	12,937,500	12,937,500
Common units—Westlake	1,436,115	1,436,115	1,436,115	1,436,115
Subordinated units—Westlake	12,686,115	12,686,115	12,686,115	12,686,115

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

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands of dollars)			
Net income	\$81,192	\$87,243	\$183,963	\$175,632
Other comprehensive loss				
Cash flow hedge				
Interest rate contract				
Change in fair value of cash flow hedge	(267 )	—	(1,094 )	—
Reclassification of loss to net income	94	—	190	—
Total other comprehensive loss	(173 )	—	(904 )	—
Comprehensive income	81,019	87,243	183,059	175,632
Comprehensive income attributable to noncontrolling interest in OpCo	71,848	76,800	162,535	156,689
Comprehensive income attributable to Westlake Chemical Partners LP	\$9,171	\$10,443	\$20,524	\$18,943

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

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Unaudited)

	Common Unitholders- Public	Common Unitholder- Westlake	Subordinate Unitholder- Westlake	General Partner- Westlake	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in OpCo	Total
(in thousands of dollars)							
Balances at December 31, 2014	\$ 290,377	\$ 4,038	\$ 35,681	\$(242,572)	\$ —	\$ 747,426	\$ 834,950
Net income	9,057	1,005	8,881	—	—	156,689	175,632
Quarterly distributions to unitholders	(7,218 )	(801 )	(7,078 )	—	—	—	(15,097 )
Quarterly distribution to noncontrolling interest retained in OpCo by Westlake	—	—	—	—	—	(169,101 )	(169,101 )
Balances at June 30, 2015	\$ 292,216	\$ 4,242	\$ 37,484	\$(242,572)	\$ —	\$ 735,014	\$ 826,384
Balances at December 31, 2015	\$ 294,565	\$ 4,502	\$ 39,786	\$(242,572)	\$ 280	\$ 750,606	\$ 847,167