

LOUISIANA-PACIFIC CORP

Form 10-Q

November 06, 2018

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, 2018  
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 every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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: 141,178,489 shares of Common Stock, \$1 par value, outstanding as of November 5, 2018. 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, including tariffs 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, 2018	December 31, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 986.7	\$ 928.0
Receivables, net of allowance for doubtful accounts of \$0.8 million and \$0.9 million at September 30, 2018 and December 31, 2017	143.5	142.5
Inventories	284.4	259.1
Prepaid expenses and other current assets	11.9	7.8
Current portion of notes receivable from asset sales	—	22.2
Total current assets	1,426.5	1,359.6
Timber and timberlands	56.8	55.7
Property, plant and equipment, net	976.2	926.1
Goodwill and other intangible assets	26.3	26.7
Investments in and advances to affiliates	52.6	7.8
Restricted cash	13.3	13.3
Other assets	59.8	56.8
Deferred tax asset	2.9	2.5
Total assets	\$ 2,614.4	\$ 2,448.5
<b>LIABILITIES AND EQUITY</b>		
Current portion of long-term debt	\$ 5.2	\$ 25.1
Accounts payable and accrued liabilities	213.7	237.1
Income taxes payable	11.6	4.5
Current portion of contingency reserves	2.3	3.4
Total current liabilities	232.8	270.1
Long-term debt, excluding current portion	348.6	350.8
Deferred income taxes	73.5	33.4
Contingency reserves, excluding current portion	9.4	11.7
Other long-term liabilities	138.7	178.0
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	456.5	470.6
Retained earnings	1,613.9	1,280.1
Treasury stock, 11,452,109 shares and 8,462,949 shares, at cost	(264.4)	(177.5)
Accumulated comprehensive loss	(148.0)	(122.1)
Total stockholders' equity	1,811.4	1,604.5
Total liabilities and stockholders' equity	\$ 2,614.4	\$ 2,448.5

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,	
	2018	2017	2018	2017
Net sales	\$736.8	\$718.3	\$2,238.9	\$2,023.3
Cost of sales	524.0	507.7	1,588.7	1,502.3
Gross profit	212.8	210.6	650.2	521.0
Selling, general and administrative expenses	51.2	49.3	151.9	145.3
(Gain) loss on sale or impairment of long lived assets, net	0.3	0.7	(0.3)	(1.8)
Other operating credits and charges, net	(6.3)	(0.9)	(11.2)	4.5
Income from operations	167.6	161.5	509.8	373.0
Non-operating income (expense):				
Interest expense, net of capitalized interest	(3.9)	(4.9)	(12.7)	(14.8)
Investment income	5.5	2.9	13.5	7.2
Other non-operating items	(2.2)	(2.2)	(4.3)	(7.2)
Total non-operating income (expense)	(0.6)	(4.2)	(3.5)	(14.8)
Income from continuing operations before taxes and equity in loss of unconsolidated affiliate	167.0	157.3	506.3	358.2
Provision for income taxes	41.8	46.4	122.7	97.9
Equity in loss of unconsolidated affiliate	1.1	—	1.7	—
Income from continuing operations	124.1	110.9	381.9	260.3
Loss from discontinued operations before taxes	(0.1)	(1.7)	(5.7)	(1.7)
Benefit for income taxes	—	(0.6)	(1.4)	(0.6)
Loss from discontinued operations	(0.1)	(1.1)	(4.3)	(1.1)
Net income	\$124.0	\$109.8	\$377.6	\$259.2
Net income per share of common stock:				
Income per share continuing operations	\$0.87	\$0.77	\$2.65	\$1.80
Loss per share discontinued operations	—	(0.01)	(0.03)	(0.01)
Net income per share - basic	\$0.87	\$0.76	\$2.62	\$1.79
Diluted net income per share of common stock:				
Income per share continuing operations	\$0.86	\$0.76	\$2.62	\$1.78
Loss per share discontinued operations	—	(0.01)	(0.03)	(0.01)
Net income per share - diluted	\$0.86	\$0.75	\$2.59	\$1.77
Weighted average shares of stock outstanding - basic	142.5	144.5	143.9	144.4
Weighted average shares of stock outstanding - diluted	143.9	146.5	145.6	146.3

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



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

	Quarter Ended		Nine Months	
	September 30,		Ended	
	2018	2017	2018	2017
Net income	\$124.0	\$109.8	\$377.6	\$259.2
Other comprehensive income (loss):				
Foreign currency translation adjustments	(2.0 )	10.4	(13.5 )	4.7
Unrealized gain (loss) on investments, net of tax	0.2	0.4	0.3	0.8
Defined benefit pension plans:				
Change in benefit obligations, translation adjustment	(0.1 )	(0.4 )	0.2	(0.8 )
Amortization of amounts included in net periodic benefit cost:				
Actuarial loss, net of tax	1.1	0.9	3.4	2.6
Prior service cost, net of tax	0.1	0.2	0.3	0.6
Other	—	(0.1 )	0.1	(0.1 )
Other comprehensive income (loss)	(0.7 )	11.4	(9.2 )	7.8
Comprehensive income	\$123.3	\$121.2	\$368.4	\$267.0

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

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES  
 (AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	\$124.0	\$109.8	\$377.6	\$259.2
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	30.7	31.1	91.8	91.3
Equity in (income) loss of unconsolidated affiliates, including dividends	1.3	(0.2 )	0.2	(1.2 )
(Gain) loss on sale or impairment of long-lived assets, net	0.3	0.7	(0.3 )	(1.8 )
Other operating credits and charges, net	(6.2 )	(0.9 )	(6.9 )	4.5
Stock-based compensation related to stock plans	2.1	2.0	6.9	8.0
Exchange (gain) loss on remeasurement	0.5	(0.1 )	0.5	1.6
Cash settlements of warranties, net of accruals	(0.7 )	0.1	(2.2 )	(5.5 )
Cash settlements of contingencies, net of accruals	(0.6 )	(0.3 )	(2.1 )	(0.5 )
Pension contributions	(35.8 )	(6.1 )	(40.9 )	(12.7 )
Pension expense	2.3	2.9	6.9	